COIN REDESIGN ACT, H.R. 2636, AND ONE DOLLAR COIN ACT OF 1991, H.R. 1245

HEARING

BEFORE THE

SUBCOMMITTEE ON CONSUMERS AFFAIRS AND COINAGE

OF THE

COMMITTEE ON BANKING, FINANCE AND URBAN AFFAIRS

HOUSE OF REPRESENTATIVES

ONE HUNDRED SECOND CONGRESS

FIRST SESSION

NOVEMBER 6, 1991

Printed for the use of the Committee on Banking, Finance and Urban Affairs

Serial No. 102-81

U.S. GOVERNMENT PRINTING OFFICE
48-549
WASHINGTON : 1992

For sale by the U.S. Government Printing Office
Superintendent of Documents, Congressional Sales Office, Washington, DC 20402
ISBN 0-16-037545-2

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COIN REDESIGN ACT, H.R. 2636, AND ONE DOLLAR COIN ACT OF 1991, H.R. 1245

WEDNESDAY, NOVEMBER 6, 1991

House of Representatives,
Subcommittee on Consumer Affairs and Coinage,
Committee on Banking, Finance and Urban Affairs,
Washington, DC.

The subcommittee met, pursuant to notice, at 2:01 p.m., in room 2222, Rayburn House Office Building, Hon. Esteban Edward Torres [chairman of the subcommittee] presiding.

Present: Chairman Torres, Representatives Barnard, McCandless, and Wylie.

Chairman Torres. Good afternoon, ladies and gentlemen. I apologize for my tardiness to my colleagues, who finished voting before me, and I got stuck there.

The subcommittee is officially now in session, and it is meeting today specifically to examine two important proposals.

The subcommittee will first hear testimony from four witnesses on the Coin Redesign bill. Chairman Gonzalez and Senator Cranston both have championed this bill in past Congresses. In the 101st session of Congress, over 250 Members signed onto this bill.

Testifying on this proposal are Charles Atherton, the Secretary of the Commission of Fine Arts; Robert Leuver, the Executive Director of the American Numismatic Association and the former Director of the Bureau of Engraving and Printing; Elizabeth Jones, a sculptor and former Chief Engraver at the U.S. Mint; and Eugene Essner, who is no stranger to this subcommittee, the Deputy Director at the U.S. Mint.

The second part of the hearing, ladies and gentlemen, will focus on a proposal to create a dollar coin.

I would like to enter into the record with unanimous consent the Congressional Budget Office estimate of the revenues generated by a dollar coin.

In the last Congress, this subcommittee commissioned the General Accounting Office to conduct a study on the dollar coin. The GAO determined that there was not considerable public support for this proposal. Nevertheless, it would generate an average of $318 million each year for 30 years.

The CBO indicates that in 1995 and in 1996, $69 million and $224 million would be generated respectively, if the Mint began production in October 1994.

Savings would continue to accrue in increasing amounts after 1996.

George Abbott, president of the Randolph-Sheppard Vendors of America; and Tom Rubin, the controller-treasurer of the Southern California Rapid Transit District, will testify today on the merits of the dollar coin and their respective businesses.

And last, ladies and gentlemen and members of the subcommittee, we will hear from Phil Greenhut, the president of Eastern Vending Corp., regarding the downside—or that is, the negative aspects of a dollar coin.

I would like unanimous consent to enter copies of H.R. 2636 and H.R. 1245, as well as the statements that have been submitted by Senators Cranston and Domenici, the American Bankers Association, the Coin Coalition, the National Automatic Merchandising Association, Olin Brass Corp., and Texas Instruments, Inc.

Having then moved those items, without objection, into the record, I would like to move ahead as expeditiously as possible to yield time enough for everyone to have something to say today on the basis of what we're about to hear today.

[The information referred to can be found in the appendix.]

I would ask or I would tell our witnesses that we have your entire testimony received by the subcommittee. We will enter it into the record, as it has been submitted including any documents therein. But I would simply ask the witnesses today to bear with us, to try—including the members of the subcommittee—to adhere to the 5-minute rule in making your presentations, summarize them, so that we may have ample time to ask questions of each of you.

At this time, I would like to call, then, for the first panel of witnesses, and they would be Mr. Atherton, Mr. Leuver, and Ms. Elizabeth Jones.

I am sorry. I moved kind of fast there. You know, I am used to a fast gavel, and I guess I overshot this time.

At this time, while the witnesses are assembling before us, I would now yield to the ranking minority Member of the subcommittee, Mr. Al McCandless, my colleague from California, with apologies.

Mr. McCandless. Thank you, Mr. Chairman.

I was going to enter my statement into the record if you wanted to move that fast, but in view of the fact that the Banking bill has had a few problems last week and again this week and then we had a little markup this morning, I consider this hearing to be something like a walk in the park, but I do want to make it known to those who are testifying that I am not a cosponsor of either bill that we will discuss, and I want to indicate to you that that is not necessarily in opposition.

It is simply an indication that there are many things that yet need to be considered, of which I am hopeful the panels who appear before us today will help resolve. Both bills have some interesting features and, I must say, in all candidness, some potential problems.

Very briefly, let me try to develop for the panels some of my concerns.

With regard to coinage redesign, I have never been one who believed in change for the sake of change only. I look for a compelling reason to change the Nation's coinage.

When you change the Nation's coinage, you not only change it here in the United States, but you change it in other places of the world, and there is a time in which that reacquaintance takes place, where people may be embarrassed by the fact that that coinage would not be acceptable as legal tender in another area, not through anything other than the fact that those who are involved in it do not have the knowledge.

As for the dollar coin, I am concerned about the mandatory elimination of the $1 bill. Outside of those involved in vending operations and, obviously, the mass transit, there really is not much public support for what would be a fairly dramatic change.

Congress tends to be more reactive than proactive. There is little doubt that the ultimate success or failure of the dollar coin depends upon—I might say this very candidly—public support.

We can force the coin on the public without giving them a choice, but I question Congress' resolve to withstand the public backlash from such actions.

A dollar coin will provide some assistance for our visually-impaired citizens, but there will still be problems with distinguishing between $2 bills, $5 bills or $10 bills or $20 bills.

Hence, we need to continue our efforts to find a workable and reasonable way to help the visually impaired to distinguish bills.

Again, I make these comments not predisposed but to give the witnesses an idea of what I consider to be the key issues that I hope, in some way or another, we can address at this hearing, Mr. Chairman.

In any event, I thank each witness for being here, look forward to your comments. I realize that you have had to rearrange your schedules, and I appreciate the fact that you have taken the time to do that and are going to appear before us.

Thank you, Mr. Chairman.

[The prepared statement of Mr. McCandless can be found in the appendix.]

Chairman TORRES. Thank you, Mr. McCandless.

Let me yield at this time to the gentleman from Georgia, Mr. Barnard.

Mr. BARNARD. Thank you, Mr. Chairman, and let me commend you on scheduling these hearings on what may seem to some as not necessarily an important subject, but I think, as far as today's economy is concerned and what has happened to the very, very important vending machine industry and those related to it, I think these are, indeed, timely hearings to get a good feel for the need for the dollar coin.

This, as well as the redesign of the Nation's coins, is also a very topical subject, and I commend you for holding these hearings on this subject.

It seems that the dollar coin, if done properly, would have some long-term benefits. The vending machine industry certainly argues forcefully for the change and makes some very persuasive arguments.

Mr. Chairman, I would like to ask for unanimous consent, if it would be possible to enter into the record letters from vending operators, actually the presidents of vending associations in 35 States that have endorsed the dollar coin legislation, if I might introduce that into the record.

Chairman TORRES. Without objection, so ordered.

[The information referred to can be found in the appendix.]

Mr. BARNARD. While the subcommittee has always been very mindful of the feelings Americans have for their coinage, I hope that we will certainly study this issue and, if the benefits are there, certainly find a way to proceed.

Coin redesign is not as compelling to me from an economic point of view. If we must proceed in this area, I hope that we will do it slowly and start with one coin.

There is no point in upsetting the public with wholesale design changes without substantial evidence of long-term benefits, but I would certainly be receptive to a recommendation maybe to proceed slowly with one coin, but certainly I will not make a final decision in my mind until we have heard from all of the witnesses and we have had an opportunity to look at it in much more detail.

Let me again thank you for having these hearings, and I look forward to hearing the testimony.

Chairman TORRES. Thank you, Mr. Barnard.

At this time, I would like to yield the floor to Mr. Wylie, the gentleman from Ohio.

Mr. WYLIE. Thank you very much, Mr. Chairman. I am well acquainted with the fast gavel. So, I do not get too much excited about it anymore.

Briefly, when you scheduled this hearing for this morning at 10 o'clock, we did not anticipate that we would still be wrangling over the big Banking Committee bill, but I am pleased that you rescheduled it for this afternoon and that our witnesses were able to accommodate us in that regard.

While I have no quarrel with commemorating the Bill of Rights, I do have a slight problem with doing so through coin redesign, and with regard to H.R. 1245, the United States One-Dollar Coin Act of 1991, I must express some concern about reliving the Susan B. Anthony fiasco. I lived through that.

Most of my constituents like the dollar bill, but I am not locked in concrete on either one, and I will give a good listen.

Thank you.

Chairman TORRES. Thank you, Mr. Wylie.

At this time, then, without further adieu, I would like to begin with our witnesses. Mr. Atherton, you lead off.

STATEMENT OF CHARLES ATHERTON, SECRETARY, COMMISSION OF FINE ARTS; ACCOMPANIED BY SUSAN KOHLER, COMMISSION OF FINE ARTS

Mr. ATHERTON. Thank you, Mr. Chairman. I have with me Sue Kohler, who is a member of our staff and handles a lot of the numismatic and medallic arts affairs sort of on a daily basis in our Commission and I have asked her to join me at the table.

Chairman TORRES. Would you please spell her name for the record?

Mr. ATHERTON. It is K-o-h-l-e-r.

Chairman TORRES. Thank you.

Mr. ATHERTON. I want to thank you for the opportunity to testify on a bill that would authorize changing the designs of our circulating coins.

The Chairman, J. Carter Brown, asked me to express his regrets that he could not be here today. He has a keen interest in this matter, as all of the members of the Commission do, and he would have liked to have been here personally.

Our interest in coinage matters goes back a long way, to 1915 in fact, when the Commission first took an active role in urging the Mint to develop new designs, an effort, I might personally add, that resulted in some of the best looking coins this country has ever had.

The Commission felt then as it does today that each generation of Americans ought to have an opportunity to express its cultural values in a variety of ways and the design of our coins is uniquely national in character.

At the same time, coins have an individual dimension in the experience of each and every one of us and this adds enormously to their appeal as the means for expressing a society's culture so it follows that the Commission is in general an enthusiastic supporter of any legislation that would promote these ends.

Having said this I should nevertheless point out several reservations the Commission has over the legislation before you today.

Our principal concern is that it mandates the change of all circulating coinage within a specific 6-year period from the date of the enactment of this legislation. This is a tall order, especially if we are ever to achieve the design excellence that is appropriate to a national coin. That can only be done through the kind of painstaking search that comes with a national competition if we are truly to reach all Americans in this endeavor.

We also feel strongly that the American public should be involved in coin redesign as well.

At the same time our past experience indicates that not all of our most distinguished artists are automatically attracted to such an approach, so ways have to be found to engage them as well as rank-and-file citizens.

This will take both time and money to accomplish as well as a strong commitment on the part of everyone involved.

Second, the Commission agrees with the Mint that the American people as a whole are quite fond of their existing coinage or at the very least they are not particularly excited about the concept of change.

Therefore, it would seem prudent if this legislation were to direct a more cautious approach by limiting changes to one coin at a time which would relate more closely to the all important factor of public acceptance. While the legislation could make clear the intent of modifying the designs of all coins, it could leave open the schedule within which these changes should take place.

Thus, if unexpected difficulties were to occur with one coin, the legislation would allow some breathing room before going on to the next. Such an approach would seem to be well suited to the intent of the Congress in making the Bicentennial of the Bill of Rights a subject of the first coin to be redesigned. Since it would only be minted for a period of 2 years, the Mint would have an excellent opportunity to gauge the public's reaction to the new issue and to learn in the process what needed to be done to make the overall program of change more acceptable.

I believe that the key to acceptability gets down basically to the appeal of the coin to the public. This is a function of the subject matter and the interest it sustains but more than anything perhaps is the intrinsic beauty of the coin. Give the American people a beautiful new coin and the chances of its success are virtually assured.

This concludes the Commission's remarks, Mr. Chairman. I would be happy at this time to answer any question the subcommittee may have especially in regard to the all important function of design.

[The prepared statement of Charles Atherton can be found in the appendix.]

Chairman TORRES. Thank you, Mr. Atherton, and we will ask questions of you, but first we would like to hear from all three of you, and then come back to you.

Mr. Leuver.

STATEMENT OF ROBERT J. LEUVER, EXECUTIVE DIRECTOR, AMERICAN NUMISMATIC ASSOCIATION, COLORADO SPRINGS, CO., AND FORMER DIRECTOR, BUREAU OF ENGRAVING AND PRINTING

Mr. LEUVER. Chairman Torres, Mr. McCandless, distinguished members of the subcommittee, it is a pleasure to again appear before you.

Inasmuch as my testimony has been entered into the record, I'll synthesize basically what I have to say so that you can ask questions later if you so wish.

I would like to say that the ANA, the American Numismatic Association, is the world's largest nonprofit educational organization for coin collectors.

We have more than 31,000 individual members throughout the world and more than 600 member clubs across the United States which in total probably equal another 50,000 members.

The ANA, which is celebrating its centennial this year, is chartered in perpetuity by the Congress. We are proud of our congressional charter and take very seriously its educational aims and aspirations.

I am pleased that you have once again called upon the ANA to comment on the two bills before you. Each of these proposals has generated more than a little interest, so I would like to say that the ANA heartily endorses the passage of the coin modernization bill and strongly supports legislation to create a small-sized dollar coin.

I have to be very frank. In the times that I have appeared before this subcommittee and particularly when Congressman Annunzio was the chairman, we had many discussions when I was Director of the Bureau of Engraving and Printing about the replacement of the dollar bill, the institution of a dollar coin and basically how change affects the people in our country.

As I did then, I still agree with Chairman Annunzio that it is very difficult for Americans to accept the concept of change. However, it's been our experience that coins in particular tell a great deal about cultures and societies. Much of the information that we have about the early Roman times comes from their coins.

In the centuries since, nations and cultures have used the symbols and emblems on their coins to clearly and succinctly display the images they sought to project to the rest of the world. If we look at the transition that even affected our own coins in the very early days of our coinage, we first had an extremely weak eagle. It didn't take long for the Congress and people in this country to recognize that we needed a stronger symbol, and we selected a very strong eagle. Liberty was much the same way.

As the years have gone by, the designs of America's coins have lost meaning. As an example, a couple of years ago when Stephen Taylor, who was president of ANA, David Ganz, who is currently our vice president, and I conducted a little test during lunch in Pittsburgh, during our annual convention. The trick was not to show coins to the people that we were conducting an informal interview with. Most of them felt that they remembered that George Washington was on the nickel and Lyndon Johnson was on the quarter.

That is how much people remember or take notice of our coinage.

You know, the design of Lincoln on the cent is 82 years old and the reverse has been with us for three decades. The Jefferson nickel, first produced in 1938, and the Washington quarter, initially intended as a 1-year commemorative, are faithful reproductions of a style from 1789. They reflect little of our Nation's ever-changing heritage.

When we look at America's coins today, the designs are difficult to compare to the coinage of yesteryear. This has little to do with the artists and engravers, as some of the more modern commemorative coins produced by the Mint show the exceptional creativity, beauty, and designs produced by these artisans.

For example, the rendering of the Statue of Liberty on the $5 commemorative coin designed by Elizabeth Jones, here to my left, and John Mercanti's busts of Eisenhower in the 1990 prestige set, are really demonstrable of the artisan work and effort that can be done by people at the Mint.

Looking at some of the beautiful designs of the past, as well as some of the contemporary issues, there is simply no reason why the designs on America's coinage can't be modernized.

There is an old axiom: "If it's not broken, don't fix it". You know, there is a certain amount of truth in that. However, things are fixed without being broken, even here in Washington.

The Supreme Court Building was erected 60 years ago even though its former meeting place in the Capitol wasn't broken. It was just crowded. The Lincoln Memorial cent was created in 1959 after its unbroken predecessor had been in circulation for 50 years.

Mr. McCandless mentioned the difficulty of our circulating coins outside the United States. Really I think the problem is with our bank notes and not with our coinage. I think that you will find in the majority of countries that coins are not accepted from another country as a medium of exchange. I travel considerably during the course of a year in foreign countries. You have to cash in your coinage from the various countries before you dare leave because you get to the next country and the various coin booths won't take your coins from another country. However, bank notes again are a different situation.

The bill before you calling for a small-size dollar coin is a case where something is broken and does need to be fixed. A small-size dollar coin was and remains a logical coin. Treasury studies, private industry studies, and even the less than studious know it is conceptually a good idea. It would be convenient, commercially useful, a money saver and, if golden color, readily distinguishable from other coins.

The Susan B. Anthony coin was doomed to failure because logic does not dictate taste and acceptance of consumers. The American Numismatic Association strongly supports legislation to create a small-size dollar coin and to assist the visually impaired. I cannot overemphasize the importance of a tactile differentiation for a large denomination coin. We are all here to fix something that is broken.

I am aware that the number of $1 bills the Bureau of Engraving and Printing produces already constitutes 40 to 50 percent of our Nation's paper money production. The number of dollar bills printed annually exceeds $7 billion, with a projected 5-year increase to well over $12 billion annually. If the percentage of dollar bank note production continues to increase as expected, then, we as a nation will have to invest heavily in capital equipment and production of $1 bank notes that have a circulation life of only 18 months.

When the circulation life of a coin is 16 years, one can only conclude what must be done. The old small-size dollar coin is broken and should be fixed.

Mr. Chairman, thank you.

[The prepared statement of Robert J. Leuver can be found in the appendix.]

Chairman TORRES. Thank you, Mr. Leuver. Ms. Jones, we would like to hear from you.

STATEMENT OF ELIZABETH JONES, SCULPTOR AND FORMER CHIEF ENGRAVER, U.S. MINT, PHILADELPHIA, PA

Ms. JONES. Thank you, Mr. Chairman and members of the subcommittee. I greatly appreciate having been invited to this hearing, which addresses an issue of singular importance, new circulating coinage for the United States. Its visual appearance will be affected by your deliberations and the bill you are formulating.

I also welcome the opportunity at this hearing to present, for the record, the statement I prepared for a similar hearing, in April 1988, which I chose not to attend.

It has always been my opinion that the time has come for a change in U.S. coinage, and it should be achieved through invited competition. However, I have become increasingly aware of the difficulties in conducting proper competitions and establishing optimal conditions to obtain designs of excellence.

As I am here to offer my comments on bill H.R. 2636, I can only say that it follows the traditional pattern and, as such, it lacks, in my opinion, specificity. It ought to be more detailed and address the process. How the numismatic requirements should be understood, how the artist should be chosen, and their designs be judged, or who should be consulted on artistic matters—indeed, I believe there is need for additional expert advice in this respect, because the Commission of Fine Arts is not, nor should be, specialized enough in coinage, and is only involved in the final stages of the approval process. Therefore, I would recommend instituting a panel of acknowledged experts from our great museums, our most prestigious numismatic and sculpture associations.

What I see as the panel's particular value is that its members could be involved in the process from the outset, that they could be of assistance in the organization of competitions, how to write guidelines, which artists to invite, who to choose for juries, and so forth.

This bill, H.R. 2636, as well as the preceding, H.R. 1776, of 1987, start out with the words, "to modernize". Why then are we perpetuating the obverses? Can we modernize only by half? For example, which new themes would be coupled with which President? And would whatever theme be meaningful with that particular President? Does the bill provide for a harmonious, artistic, and thematic relationship between the obverse and the reverse sides, which is one of the basic principles of coin design throughout history.

The bill says that the existing portraits of the Presidents are to be considered for "redesign," to give them a more modern appearance. Is one artist going to design and execute the reverse, and another artist to refurbish the President's portraits?

Another issue of importance for the design of coins should be discussed. Most of our coins have the denomination spelled out in words. Might we not take the step now of using numerals? They are a common practice in almost all countries of the world, and they would help to reduce the cluttering of the surfaces by the various inscriptions required by law. A related issue I already dealt with in my 1988 statement concerned edge-marking; that is, the placement of inscriptions on the coin's rim, which would gain even more space for the actual composition.

Here it might be useful to add a few remarks about the actual design process. The drawings which we are required to supply at the Mint are to be rendered in a highly finished form, a procedure which I, as a sculptor questioned as soon as joined the Mint in 1981. I believe that an artist's sketch, with all elements in place should be entirely sufficient.

What matters more though, is the actual sculptural medium. And, for this reason, I would suggest that the invited artists, as well as the Mint staff, are asked to submit plaster models of their designs for the new circulating coinage. It will also enable the jury to form a better judgment, seeing the designs in a medium that better approximates the end results.

What characterized the design process at the Mint throughout all stages was lack of time. The staff had usually not more than 2 or 3 weeks to do the necessary research and to produce the required renderings, while continuing to perform their regular duties. The final deadlines were always determined by the dates for which the first strike ceremonies were set.

What dismayed, in particular, outside artists was that the time reserved for the approval procedures was three times longer than the time they had at their disposal. A case in point is the scheduling for the Bicentennial of Congress Coins. The first strike ceremony was set for June 16, 1989, while the outside artists received their invitations after December 22, 1988, together with apologies for a January 13 deadline, which gave them more or less than 2 weeks, depending upon whether or not they were willing to sacrifice the year-end holidays, to produce the requested three pairs of drawings.

Such treatment of renowned artists is, in the least, counterproductive. Because no first-rate professional is going to accept such treatment twice, especially in view of the low remuneration the Treasury is offering.

Equally problematic are the guidelines which are sent along with the invitations, especially when they deal with the artistic aspects of the design, because their prescriptions beg for banality and manage to thwart right at the start the creativity of some of the most talented artists in the country. Also, in their technical specification, the guidelines are too restrictive. My position has always been that today's state-of-the-art technology should adapt to whatever outstanding design might win a competition.

Since the inception, in 1987, of invited competitions, there has been no improvement in design results. The trouble seems to be that all the artists know by now what the Mint wants, and the artists supply it. And as a result, no commemorative program has been really successful to this day, since 1986.

As it turns out, all the competitions have been called so in name only. Who has ever heard of a competition without a jury. Which competition has not guaranteed the impartiality of the jury by keeping the artists' entries anonymous. Also, the engraving staff's entries were usually submitted under code signs. But, upon two occasions, I was forced by headquarters to disclose the names the very day the drawings were delivered.

Similarly, improper conduct on the part of the Mint's running the competition has already been brought up in a congressional hearing on July 12, 1989. Its then chairman, Richard Lehman, it has been reported, asked the Director of the Mint, Donna Pope, to supply the subcommittee with copies of the design selection procedures, saying, "I assume you have one or do you make it up just as you go along."

Even the most recent competition for the 1992 Olympics was not conducted properly, notwithstanding the existence of a "selection panel," with four outside experts. Also, the Commission of Fine Arts, I believe, only saw the drawings after they had received approval of the Secretary of the Treasury. I believe this is the first case that the Commission literally had to rubberstamp the official selection. I know that it has had to do so very often with a very short time to review the drawings.

Mr. Chairman, I have dwelt upon this regrettable situation with great reluctance. It is a matter of personal and professional pride, not to give the slightest impression of harboring resentments. I have also strong feelings of loyalty to many fine and devoted former colleagues at the Mint. Still, I felt compelled to share with you and the members of the subcommittee my experiences and to impress upon you the seriousness of your task of creating a new U.S. coinage.

Thank you, Mr. Chairman.

[The prepared statement of Elizabeth Jones can be found in the appendix.]

Chairman TORRES. Thank you, Ms. Jones, for your candor, and thank all three of you for your excellent testimony.

We are going to be running short on time because of votes on the floor. My colleague to my left, Mr. McCandless, has to leave at 3 o'clock. I am going to yield to members of the subcommittee for questions, and I will start with Mr. Barnard.

Mr. Barnard.

Mr. BARNARD. Well, thank you, Mr. Chairman.

I appreciate all three of you being here today, and your very excellent testimony. I do not particularly have any questions to this panel, primarily because of the interests that they represent.

I was especially interested in the testimony of Ms. Jones. Being on this subcommittee as long as I have, I have noted some very, very excellent work that has come out of the Mint, and I was sort of wondering, as you were speaking, how it got that way without the processes that you have talked about, but I think you said at the end that only since 1986 have you seen, have you noted that there has not been the quality of art work in the coins. I must say that I do not know whether you were associated with the George Washington silver dollar or not years ago, but I felt like that was a superb coin.

I think your suggestions are well taken, and certainly it would evoke the interest of the Fine Arts Commission and others if we had some competition in what we are doing. I think it is a worthwhile thing.

Mr. Leuver, I was impressed with your testimony. Of course, I am for the dollar coin. Of course, I want it to be a work of art as Ms. Jones has talked about, but I also think about, I am very mindful of the economics of it.

I think that we have come to a point in time in this country where not only just coin machines but other conveniences for the public must be considered. From my experience, the dollar bill is not as convenient today in today's economy as a dollar coin would be.

I tell you, I have an awful time on Sunday morning going to get me a newspaper out of a slot and I have to carry a pocketful of quarters, and it takes nothing else but that. I would much rather put a $1 coin and 2 quarters rather than having to cart out about 6 or 7 or 8 quarters.

I must say I think, as well as the artistic, as well as the numismatic attributes, I think we need to be mindful of the convenience it is to the public.

Thank you all for being here today.

Chairman TORRES. Mr. McCandless.

Mr. MCCANDLESS. Thank you.

I found your testimony, all three, very interesting. I never really thought of coins as expressing cultural values, or that a beautiful new coin would be accepted by the American people, such as you related to, Mr. Leuver. I would mention to you that, representing a district on the Mexican border, coins are very important. I understand that when you leave Heathrow to go somewhere, or Paris, that they are not important, but they are in our part of the country.

I guess I would need from you, Mr. Atherton, something in the way of an assessment to help me out, to express the fact that coins should have cultural values.

Can you expand on that? I kind of feel like I have missed three or four of the encyclopedias in the group, and need to catch up.

Mr. ATHERTON. I think the feeling is that each generation of Americans can bring some of its own values to artistic expression in this country, that what we do today, 25 years from now will be done in a different way.

I think if you look at American sculptors, American designers today, they certainly are doing much different things than they did 25 or 50 years ago.

I think what we are saying is that our works of art, our national works of art, sponsored by the Government, ought to reflect the fact that there is an evolution in our cultural development.

Mr. MCCANDLESS. You said in your statement that the American people will accept a beautiful new coin. Can you give me an idea of how you would describe a beautiful new coin, or what should it make up?

Mr. ATHERTON. Well, I think Ms. Jones' coin of the Olympics, the Nike coin, is probably one of the nicest coins I have seen in a long time, as a commemorative coin, for the Olympic system. I would go back, as I said, in the testimony to some of our first involvement with coins, the Mercury dime and the Walking Liberty, to go back farther than that, the $20 and $10 gold coins. The $20 was just reissued, of course, recently, as a bullion coin. I think everybody recognized that it was a very beautiful coin.

I think we share some of the concerns that were expressed here a few minutes ago, that we would hope, rather than reproduce old designs, however, we can come up with something of our own times.

Those certainly are all very beautiful coins, and I think generally accepted by the American people in a very enthusiastic way.

Mr. MCCANDLESS. Mr. Leuver, if we go to a foreign country, invariably, the queen or the king or some person in history, particularly with respect to our particular paper money, is the chief focus of the print of that piece of paper.

Is there a relationship in your mind between the paper money and the coinage? Should there be some historical personality involved in the relationship?

Mr. ATHERTON. I do not think there is a rule of thumb to follow. The Canadians are a good example of that. Some of their most beautiful coins have to do with reindeer and beavers.

I do not think that is something that would necessarily catch on in America. I think the American public, especially perhaps now, wants to hold onto more traditional and tangible things, like I think a lot of people sense sort of either an indifference or a resistance to change. I do not think that we could totally ignore that.

I do not think there has to be a relationship——

Mr. McCandless. I was asking Mr. Leuver a question relative to paper money and its relationship to coinage.

Mr. Leuver. No, I think there is a distinction between the two, quite frankly. Coins have a tendency to last much longer.

I will tell you an interesting story. Alexander the Great, when he went on his conquest, nobody actually knew how far he went. When he became the Emperor, or the King, he adopted his own coinage with his own visage on it. However, for his travels and his conquests, he used the coin of his father, Philip of Macedon, and it was later that we found those coins in France, not more than 100 years ago, near the coast of France, in Brittany, that gave historians an idea of how far he went.

Going back directly to your question, I think there is a distinction between coins and currency. Coins are going to last longer. They are much smaller. There are certain things that you can put on them. Bank notes are something else again. You can have some sort of a picture on them.

I would like to take you back almost 100 years ago to the 1890's. We had some of the most beautiful stamps and some of the most beautiful currency in the world. We had some beautiful depictions on those currencies regarding the opening of the West, and we have sort of lost that flavor over the years, both for coins and for currency.

Mr. McCandless. Thank you.

Thank you, Mr. Chairman.

Chairman Torres. Mr. Wylie.

Mr. Wylie. Thank you, Mr. Chairman.

Mr. Atherton, if we have a new coin, what size should it be?

Mr. Atherton. Well, I certainly think that if there is going to be a new dollar coin, that there ought to be more of a difference in the size than there was in the last attempt. I think a great many people confused it with the quarter, because the size was very similar.

I guess everybody decided at the same time——

Mr. Wylie. Should it be larger or smaller?

Mr. Atherton. Pardon me?

Mr. Wylie. Should it be larger or smaller?

Mr. Atherton. I think it ought to be smaller. I think you could make something very special and have it, I mean, just as the dime is smaller than the 5-cent piece. I think it has to do with the quality and the color, and I think that could easily distinguish the difference in design, and the value of the design.

Ms. Jones. Might I add something?

Mr. Wylie. Yes.

Ms. Jones. It could be thicker, like the English pound. That could help differentiate.

Mr. Wylie. Make it smaller but thicker.

Ms. Jones. Yes.

Mr. Wylie. That was the reason why the Susan B. Anthony coin was such a disaster. I supported the minting of the Susan B. Anthony coin. I thought maybe we needed a new one, with a lady the coin, and all that good stuff. One of the worst votes I ever made.

Mr. LEUVER. I do not think it was.

Mr. WYLIE. You do not?

Mr. LEUVER. No, I do not really think so. I had just joined the Bureau of Engraving and Printing the year that came out. I had some feelings about that when it did come out, because it was taking the place, to a certain extent, of the dollar bill.

I think the problem with the Susan B. Anthony coin was twofold.

First, it was designed by committee. When anything is designed by a committee, you know, the old saying, a horse is going to look like a camel if a committee designs it.

I think the other thing is also true, that we did not remove the $1 bill from circulation. Therefore, it was doomed to failure before you started.

It was a good coin. There were some tactile differences. I think if we had used a different color, which they originally intended to, and the size had been slightly different, that it would have been a successful coin.

Mr. WYLIE. The other reason was, we didn't want to eliminate the dollar bill, and I know that to be a part of the proposition here.

Mr. LEUVER. Correct.

Mr. WYLIE. Wouldn't an American just carry a $2 bill? Aren't they sort of in the habit of putting the coins in the drawer at the end of the day and maybe carry a couple of quarters for the telephone?

Mr. LEUVER. Yes, but I think that comes back to what Representative Barnard said, that you are going to find a very utilitarian purpose with your dollar coin, and even if you do, I think the $2 bill will come back into circulation, but there's absolutely nothing wrong with that.

Mr. WYLIE. What about putting an American Bald Eagle on it, if we don't put the beaver or the reindeer on it?

Mr. BARNARD. I'm for the eagle.

Mr. WYLIE. OK, if it's between those three, you're for the eagle. We're going to have a witness here a little later on, Mr. Bilbray, who is going to suggest that this might devastate Nevada's economy and that if we make this change, that we ought to also provide the necessary funding for retrofitting. I think I'm stating his position and he can correct me if I'm wrong about that.

Is that a valid argument, one way or the other?

Mr. LEUVER. I think I'd leave that up to the vending machine operators, but I—from my perspective—you know it costs much more to develop a machine that is able to differentiate currency than it does coinage. Coinage is by size and weight. When you look at a $1 bill or a $5 bill, they have to look at the magnetic properties of the black ink, or they have to look at the light density. Those are the two principles that govern the distinction of a vending machine as regards currency.

Mr. WYLIE. I've asked this of several groups, and I don't ever really get a good answer, but what if we colored the Susan B. Anthony. There are about 400 million of them in the vault down there. We could use those up first, and make them look like a penny, for instance. What about that? Would that work or not?

Mr. LEUVER. I think Acting Director Essner would be a better person to answer this.

Mr. WYLIE. OK, thank you very much.

Chairman TORRES. Thank you, Mr. Wylie. Mr. Atherton stated that it would be prudent to redesign only one coin at a time, going slowly, with the quarter, for example; engage public support before you move on to the other coins. Mr. Leuver and Mr. Jones, would you agree with that suggestion or do you think it ought to be a wholesale redesign?

Mr. LEUVER. I think there ought to be total redesign, but I would agree with the concept that he brought forward—and I think that's what the bill does—that it would be done over a 6-year period. I think you would have time to gauge the success of it, coming out with one at a time.

Ms. JONES. Yes, I agree with that also.

Chairman TORRES. Instead of just minting the various denominations of coins at one time?

Mr. LEUVER. I think the Mint would have a great deal of difficulty making such a serious change just like that.

Ms. JONES. However, if I might repeat my opinion about modernizing only halfway, if we're coming out with a new coin, we aren't really modernizing our coinage if we only change the reverse of one coin for 2 years.

Chairman TORRES. I'm not sure I understand that.

Ms. JONES. A new design is supposed to last for 2 years on the reverse of the quarter, and that's the first one that would be issued. My point is, if we're going to modernize coinage—and that is exactly what the bills state, the very first two words, why are we designing the reverse and not a new obverse?

If we're going to have new coinage, we should have new coinage, new coin designs on both sides.

Chairman TORRES. On both sides?

Ms. JONES. Yes.

Chairman TORRES. Mr. Atherton, does the Commission have any suggestions for improving the current design process?

Mr. ATHERTON. I think that our feeling is that the more people that are involved across this country in the whole process of trying to find a good design is the best way to go. In our resolution that was passed in 1986 or 1987, we, I think, recommended a process of invited, compensated competitions be the route to go.

On the other hand, that has been followed by the Mint for quite some time. Yet, there are an awful lot of people out there, we feel, that just simply have not been engaged in this process.

We tried to undertake last year, contacting every single fine arts school that we could think of, and writing them a letter and trying to get the students and the faculty members to submit a design for the Olympic competition. I would tend to think that we had very little reaction from that.

I think a lot had to do with the timing of it. It was right at the point where everybody was ready to leave school or pack their bags for the summer. It was just the wrong moment to be writing to educational institutions. Nevertheless, I think that there is a great deal of talent that has not been tapped, and my fear is that if we only go this route of asking the people we know about already, we are going to be necessarily limited right up front.

I would hope that we could have open competitions, but we've got to get the word out so that everybody will join in the effort and that's a hard thing to do, I admit.

Chairman TORRES. Speaking of everybody being involved, I have received numerous suggestions at the subcommittee about the type of design we should have on a dollar coin. People talk about Columbus or veterans. Some suggestions have been the Buffalo Soldiers, Frederick Douglas, the American Indian, and so forth, and so forth—the environment.

Could you comment on these various types of ideas and recommendations and on the process of the coin, if you understand what I'm getting at?

Mr. ATHERTON. Yes, I do, yes.

Chairman TORRES. Would you elaborate on that?

Mr. ATHERTON. Yes, I think that's, again, a very difficult thing to handle. I know that we have a tremendous problem in the design of memorials. To be able to represent, inclusively, everybody that took part in an event, racially, ethnically, both men and both women—everybody will feel excluded unless somehow they can find something tangible to represent their presence.

As soon as you get specific, especially on a coin which has a portrait, then obviously it's going to have to exclude an awful lot of other people by its nature. I think the Congress has to ask itself, you know, is this something we want to do right now, or should we try to incorporate symbols in the design that include more people and are less specific in terms of the way they look to us.

Chairman TORRES. Mr. Leuver, you as the former Director of the Bureau of Engraving and Printing, how would the dollar coin proposal, looking at it hypothetically—but you'd have some sense about this—how would this proposal effect that agency?

Mr. LEUVER. Well, as I said in my testimony, the dollar bill constitutes 40 to 50 percent of current production, however, the production currently is 7 billion in currency notes a year, and they're going to go to 12 billion. Now, obviously, if you discontinue the dollar bill and do not replace it with a $2 bill or a higher denomination bill, you're going to cut your preduction by somewhat less than 40 percent, probably something like 30 percent.

However, with the increase that is projected over a period of time in the currency that the country needs, very quickly they're going to be up to the same level that they currently are and further. I don't think there's going to be that great of an impact upon the Bureau of Engraving and Printing.

Chairman TORRES. Thank you. I have just one more question—I'll yield time to Mr. McCandless to ask questions. Mr. McCandless.

Mr. MCCANDLESS. Well, thank you, gentlemen. I've been playing around up here with the coins, taking another look at them to make sure I remember. Has the penny outlived its usefulness, from your point of view?

Ms. JONES. You see them on the street and people don't even bother to pick them up.

Mr. MCCANDLESS. Well, I don't know that I would include myself in that, but——

Ms. JONES. I pick them up for good luck.

Mr. McCANDLESS. My Scottish ancestry still prevails.

Ms. JONES. Numerous newspaper stores and stores keep dishes out of pennies. They are practically worthless. I think it's mainly for sales taxes that they're kept.

Mr. McCANDLESS. Do you have a comment on that, Mr. Leuver?

Mr. LEUVER. Yes. It isn't really the purpose of the hearing, but I do think that the penny has outlived its usefulness.

Mr. McCANDLESS. Maybe this is a devious question, but I'm playing "what if" we were to throw in the demise of the penny in favor of something that's being proposed here as a means of maybe bringing along some of those who might oppose what it is that's being proposed.

Mr. LEUVER. Again, I said I was in favor of it.

Mr. McCANDLESS. I understand. That was my reason for asking the question.

Ms. JONES. Could I say one thing?

Chairman TORRES. Yes, and then we'll have to conclude with this panel to hear our next witness.

Ms. JONES. In reference to what Mr. Atherton was saying about not getting the best designs from open competitions or from any competitions, I think it has a lot to do with not having a jury, a knowledgeable jury.

I have heard from invited artists myself, from several personally, and they have told me that their best designs were not chosen. In other words, I think it has a lot to do with who is choosing the designs when the artists themselves say, I would like this one better than that one which I entered into the competition.

I think in the most recent one of the Olympics, I understand that the overall quality was very low. I heard that from two panel members—very low.

Mr. LEUVER. If I could say one thing to that, too; for 6 years, I was a member of the Citizens Stamp Advisory Committee that picked the designs for U.S. postage stamps. That's what we sorely need, regarding both currency and coins in this country. It's an impartial group that Elizabeth is talking about.

Most of the people on that group—maybe other than myself, because my background would be more graphic arts—but you had historians and everything else.

Ms. JONES. Knowledgeable.

Mr. LEUVER. Knowledgeable people. They meet four times a year and they get over 300 requests for designs for every meeting, and they're able to winnow those down and come out with the commemorative stamps that we have, yes, sir.

Chairman TORRES. Thank you. It's been very useful to us in understanding the nature of the proposed changes and the possibility of a dollar coin. At this time, I'd like to invite as a witness, a gentleman who obviously will throw a lot of cold water on what you said. Maybe he'll agree to some of the things you've said. That, of course, is the Deputy Director of the U.S. Mint, Mr. Eugene Essner. Mr. Essner, we welcome you.

Mr. BARNARD. Mr. Essner, we are delighted, we are delighted to have you here this afternoon, in spite of what the distinguished gentleman said. Cold water there is in front of you, however.

We're delighted to have you here as always. You always bring very worthwhile testimony to this subcommittee, and we'd like to hear from you at this time

STATEMENT OF EUGENE ESSNER, ACTING DIRECTOR, U.S. MINT

Mr. ESSNER. Thank you, Mr. Chairman.

Mr. Chairman and members of the subcommittee, I thank you for your invitation to present the views of the Treasury Department on two coinage bills, H.R. 2636, a bill to modernize circulating coin designs, and H.R. 1245, a bill to provide for the minting of $1 circulating coins and to eliminate the dollar bill.

Since my statement is being submitted for the record, I will try to summarize.

First, on coin redesign, since 1988 there have been numerous bills that have been introduced in Congress which call for the redesign of U.S circulating coinage. Given this continued congressional interest in coin redesign, the Treasury Department appreciates this opportunity to share with you the concerns we have with this legislation.

Since its establishment in 1792, the Mint has successfully fulfilled the Nation's demand for coinage. Coin designs during this time have embodied the sentiments of our country, while at the same time underscoring the stability and soundness of the Nation's economic system.

The designs on the five circulating coins, except for the bicentennial issues in 1976, have remained unchanged since the introduction of the Kennedy half dollar over 25 years ago.

There is no indication, other than some in the coin collecting community, that there is public dissatisfaction with our current coin designs. They are well-accepted, handsome, and timeless designs.

While it is possible, over a 6-year span to implement new coin designs as prescribed in the legislation, the Mint needs at least 15 months from enactment to issue the first coin with the new design.

This undertaking is in no way similar to commemorative coin programs where we are able to react quickly to produce a comparatively small number of coins. Specifically, 3 months are necessary for the selection of artwork, if Mint personnel or a limited design competition is used—and we've just heard considerable discussion about the design selection process. An open competition such as we just had for the Olympic Coin Program, which gives us the broadest selection of designs from which to choose requires an additional 3 months.

Then after selection of the designs, 3 months are required to develop the designs from the artwork to coin dies. Six months are then necessary for crucial testing. Upon completion of a successful trial strike, a large number of dies are tested in a limited production run. It is imperative for us that proper dies are developed, because any inefficiencies in the coin dies will be costly, and this is something that we will likely suffer from for many years. This is on a circulating coin design change.

Last, we feel that we would need 3 months of production to mint an adequate inventory of new coins so that they can be released throughout the Nation at the same time. Introduction of each new design should preferably commence at the beginning of a calendar year—when designs are normally modified for the new date. A midyear change is also possible if we have enough time to produce sufficient quantities to avoid creating a numismatic rarity.

The bill requires the first coin redesigned to bear a design commemorating the bicentennial of the Bill of Rights for a 2-year period. If this legislation is enacted, we would propose to introduce the commemorative design on the quarter for the first year.

Existing coin production capability, together with planned equipment purchases and modifications, if funded by the Congress, would allow the Mint to meet the normal demand and any increase caused by design changes for the near term.

Depending upon coin demand and other factors, the total appropriation increase the Mint has projected it would need range from $10 to $12 million over a 6-year period, with $3 to $4 million required in the first year. The first year figures include $2 million for a public awareness campaign to alert the public to the new designs.

Turning to the dollar coin, H.R. 1245, the Treasury Department does not endorse either the elimination of the $1 bill or the introduction of the $1 coin. In fact, Americans prefer dollar bills over coins. This position is supported by modern day efforts to introduce dollar coins—the Eisenhower dollar in 1971 and the Susan B. Anthony coin in 1979. Both failed because the preferred and convenient dollar bill was available.

Of the 857 million Anthony dollars produced, a little over 400 million remain in the Mint and Federal Reserve Bank vaults.

Research confirms the public's preference for the dollar bill. In the 1990 General Accounting Office study which was commissioned by this subcommittee, interviews and focus groups conducted by GAO found that the American public overwhelmingly opposes abolishing the dollar bill and replacing it with a dollar coin. In addition, a Gallup Poll conducted last year shows that 59 percent of Americans oppose legislation creating a dollar coin. Only 15 percent favored the elimination of the dollar bill and its replacement with a coin.

The preference for bills over coins has also been experienced by foreign governments. Foreign mints that were surveyed stated that a key ingredient in achieving circulation of a high-denomination coin is the elimination of the corresponding paper currency. The element of choice must be removed for a coin to succeed.

However, I must again emphasize, the Treasury Department opposes the elimination of the dollar bill.

If, however, Congress enacts this bill, there are a number of factors that should be considered prior to the issuance of a new dollar coin and the elimination of the dollar bill.

With regard to production, the Mint needs at least 30 months from the time of the bill's enactment to the commencement of issuance of a new dollar. This is essential based on many of the reasons I stated with regard to the creation of a new coin design, such as selection of the artwork, die life testing, and so forth.

In addition, the bill calls for a new alloy. Therefore, research and development to obtain the optimum alloy, coining and color testing on the alloy, wear tests, and vending machine capability testing are critical prerequisites.

The bill further requires that 6 months after the dollar coins are placed in circulation, the Federal Reserve will be prohibited from ordering new $1 bills or placing $1 bills into circulation. Any dollar bills that come into a Federal Reserve Bank will be withdrawn, and there are currently approximately 5 billion $1 bills in circulation.

Six months is simply too short of a time period for such a rapid exchange to occur, as it would overwhelm the Mint's production and storage capabilities.

While it is unknown whether demand for dollar coins will equal that for dollar bills and whether there will be a demand for the $2 bill, a sufficient amount of time is still necessary so an orderly transition can take place.

The requirement in H.R. 1245 that the coin shall be gold in color and be a clad coin having similar metallic anticounterfeiting properties as existing U.S. coins also gives us concern.

If a $1 coin is to be produced, we ask that the Congress allow the Treasury Department to choose the specifications of the coin.

We estimate that initial costs to produce 1 billion coins would require appropriations of approximately $9 to $12 million for research costs, equipment, increased production costs, and a public campaign.

The Treasury Department agrees that if a dollar coin successfully circulates, there will be cost savings. But since there are a great many unknowns, such as demand, the use of the $2 bill and metal cost, predicting cost savings with confidence is difficult.

It is important to note that the savings of the dollar coin, if circulation is successfully achieved, will be achieved only if the dollar coin successfully circulates.

According to GAO calculations, government costs would actually increase by $80 million during the first year of the dollar coin production. Savings would be $13.2 million in the second year, and the level of $318 million would not be reached until 13 years after production of the dollar coin is began.

But again, it would average $318 million over a 30-year period. The bulk of the savings results from the savings generated from the production of the coins. It should be noted that the projected savings figures apply strictly to the Government. Certain handling and processing costs now borne by the Government would be shifted to the private sector—banks, coin wrappers, and armored carriers—if the dollar bill is replaced with a coin.

Mr. Chairman, prior to concluding, I would like to express the administration's support for H.R. 3337, a bill to authorize the minting of up to 500,000 silver dollars to commemorate the 200th anniversary of the White House. Surcharges would be paid to a White House endowment fund to be used as a permanent source of support for the White House collection of fine art and historic furnishings and for the maintenance of the historic public rooms of the White House.

A limited mintage in this program and the popularity of the White House as a national symbol causes us to believe that there will be a sell-out of these coins. We view it as a positive addition to the Mint's numismatic programs.

This concludes my prepared statement. Again, we appreciate the opportunity to testify on these items, and I'll be happy to answer any questions that you have.

[The prepared statement of Mr. Eugene Essner can be found in the appendix.]

Chairman TORRES. Thank you, Mr. Essner. I had read some of your testimony, so I'm familiar with it. I'm sorry I missed some of it personally. I stepped out briefly. But I picked up, of course, on this last comment in your testimony, you mentioned a bill that's now been introduced. Did you give a number to that?

Mr. ESSNER. I believe the bill is H.R. 3337.

Chairman TORRES. H.R. 3337. Do you know who's introduced that in the House?

Mr. ESSNER. I am not certain. I am not certain who introduced it.

Chairman TORRES. And in your presence here as representing the Mint, you are supporting this?

Mr. ESSNER. Yes. We believe that—well, one of the things that we've discussed is the declining interest in the numismatic offerings that have been made by the Mint, and one of the reasons is the tremendous mintage that most of the coin programs call for, and we've been calling for limited mintages.

This is a program that has a very strictly limited mintage of only 500,000 silver dollars, and we think that this would be something that would be very attractive to the collectors and help spark renewed interest in the numismatic programs.

Chairman TORRES. Well, it struck me as strange that in the past, as you've come here—and I introduced you earlier today by saying that you are no stranger to this subcommittee—you've always been rather consistent in your statements saying that the Mint does not like to see the proliferation of coins. You have said that the Mint does not like to see the Congress in its moves to proliferate the marketplace with coins, so it seems strange that you would come here today and introduce a coin and ask us to concur with its minting.

Mr. ESSNER. Again, Mr. Chairman, I think this is a coin that is a little bit different than all of the coins that we've been seeing offered recently, where they call for mintage in the millions of coins of each type; whereas this one is only 500,000.

Except for the current USO Coin Program, which has not yet achieved the 500,000 coins, all the other coin offerings that we have had have surpassed that. So we think that with that, it will create a demand in the numismatic community and will be a very attractive item.

Chairman TORRES. Thank you. Well, as you know, we had intended the hearing to be specifically on two items, the dollar coin and coin redesign. The Chair would indicate that we take your testimony, your latter testimony into account, but, as you know, that was not the purpose of the hearing today.

Mr. ESSNER. I understand, Mr. Chairman.

Chairman TORRES. Mr. Barnard.

Mr. BARNARD. Thank you, Mr. Chairman.

Mr. Essner, it appears that, possibly, those introducing the legislation that we have before us have not been mindful of the processing time that it takes to go into a coin. Is that what you would say?

Mr. ESSNER. Basically, yes, I think so. We were quite concerned about what we've heard in the past on the testimony on coin redesign, for example. We've heard testimony that we can get it done in just a few months. Our production people are just throwing up their hands in horror at this, at the inefficiencies that it will cause the Mint.

On a commemorative coin, we can get by because of the limited numbers of coins that we produce with getting maybe as few as a thousand good coins out of a set of dies.

Mr. BARNARD. I was speaking specifically, though, possibly of the dollar coin.

Mr. ESSNER. Well, but the dollar coin is similar. We have the similar problem, in that there are a number of steps that we really have to go through to test. First of all, we have to come up with the design. As we've heard people testify just before, that they want wide competitions. We can't do a broad competition that invites people from all over the United States in just a matter of a few weeks or a month. It takes a long period of time.

Mr. BARNARD. Do you concur in the proposal of Ms. Jones that there be a jury to evaluate the proposals?

Mr. ESSNER. Well, I think it depends upon what type of a jury you're talking about. I think Ms. Jones—I don't want to put words in her mouth, but I think she's speaking of primarily a jury of artists. I think in this last Olympic Coin Commemorative Program, we had a very good panel to narrow the coin designs down. We received 1,100, and I believe 1,107 or 1,109, coin designs.

Mr. BARNARD. Is this the 1992 coin?

Mr. ESSNER. This is the 1992 coin. Mr. Atherton, who just testified, was one of the representatives on that panel. We had a representative from the American Numismatic Association, the former, I believe he is the former president of ANA. We had a Medallic Sculpture Society individual on the panel. We had a representative from the U.S. Olympic Committee. We had a representative from our marketing staff and Dr. Cosgarea from our operations staff, and we also had a representative from the Smithsonian National Numismatic Collection.

Those seven people reviewed all 1,100-plus designs and, through various processes, they narrowed it down to a recommendod 29 designs. Those 29 designs were then given further consideration and 16 were forwarded to the Secretary for the Secretary making the final selection. I think it was a very successful program.

Mr. BARNARD. In your statement that the American people did not want a dollar coin, what kind of research was done on that?

Mr. ESSNER. Well, GAO did a study and issued the study to the subcommittee last year. They did two things. They did focus groups in, I believe, four cities throughout the United States, and they also reviewed the methodology of a Gallup Poll that was independently commissioned. But there was a Gallup study, and GAO reviewed the methodology and found it to be acceptable.

Mr. BARNARD. I have no further questions.

Chairman TORRES. Mr. McCandless has joined us once again. While you weren't here, Mr. McCandless, during Mr. Essner's testimony, you are probably familiar with the written testimony, he mentioned a new proposal. You may have some questions to make.

Mr. ESSNER. Mr. Chairman?

Chairman TORRES. Yes, sir.

Mr. ESSNER. I might also—the answer to your question was the Congressman that introduced the White House coin legislation was Mr. Baker from Louisiana.

Chairman TORRES. It strikes me as strange that Mr. Baker is a member of the subcommittee and is not here to speak on your proposal. Thank you.

Mr. MCCANDLESS. Mr. Essner, I guess my questions will probably have a tendency to repeat themselves, but other than being aesthetically pleasing to a certain percentage of the population that utilizes coins, what would be the need to change the design?

Mr. ESSNER. I don't think there is a need to change the design. I think the Mint and the Treasury Department has testified in the past that if the Congress feels that the design changes are necessary and passed the legislation, we will certainly do it. But I don't think that we have ever thought that there is a need. In fact, most people that I talk to, when you do ask them should we change coin designs, they say, "Why?" That seems to be a prevailing question.

Mr. MCCANDLESS. To get back to my penny, what are your thoughts about the penny?

Mr. ESSNER. Well, I would refer back to the GAO study last year, and they issued—as part of their study to the subcommittee, they said that there is no reason for eliminating the penny, that the penny does have considerable support, and, in fact, the Government does make money making the penny.

Mr. MCCANDLESS. Thank you. I have nothing else.

Chairman TORRES. I have no further questions, Mr. Essner, and, as you can see, it's probably very timely. We have a vote occurring now on the floor. Mr. Bilbray is here and Mr. Kolbe. I suggest we run and vote quickly and get back, and we'll hear their testimony. You're excused, sir. Thank you.

Mr. ESSNER. Thank you, Mr. Chairman.

[Recess.]

Chairman TORRES. May we get the subcommittee back in order, have our guests take seats. Unless we have another vote soon, we should start as soon as possible and hear from our next witness, the Honorable Jim Kolbe of Arizona, who is the author of the dollar coin bill.

Mr. Kolbe.

TESTIMONY OF HON. JIM KOLBE, A MEMBER OF THE U.S. HOUSE OF REPRESENTATIVES FROM THE STATE OF ARIZONA

Mr. KOLBE. Thank you, Mr. Chairman, Mr. McCandless, my colleague Mr. Bilbray. I appreciate this opportunity to testify before you this afternoon on a piece of legislation that I've been involved with for some time.

Hardly a day goes by when you or I don't get mail or read an article calling on Congress to reduce Government waste, except, of course, if that waste happens to be a military base or a highway construction project in your or my backyard.

This afternoon, we're talking not about Government waste in our backyard; rather, it's Government waste in our back pocket—specifically, the $1 bill.

Any environmentalist will tell you that reusables are better than disposables. Well, a dollar coin is a reusable. It lasts over 30 years. A dollar bill is a paper disposable. It lasts barely 17 months. So it seems only fitting that the Citizens Against Government Waste—formerly known as the Grace Commission—and the Sierra Club, to name two very diverse groups, are both supporters of H.R. 1245. One of the reasons, I might add, for the Sierra Club is the toxicity of paper dollars when they are shredded and incinerated, the cost of that and the problem of safely disposing of paper notes.

Chairman TORRES. Mr. Kolbe, would you yield to me?

How is that disposed of?

Mr. KOLBE. I'm not certain exactly whether they incinerate it or simply shred it, but there is a toxicity that is attached to this in either event here. There is a concern.

Chairman TORRES. Thank you.

Mr. KOLBE. What kind of waste are we talking about? A recent study by a University of Chicago economist, George McCandless—no relation to my distinguished colleague from California—estimates that the Government would save at least $862 million annually if a $1 coin replaced the $1 bill. Let me repeat that. The Government would save $862 million every year with a coin dollar.

Now, we can debate whether that money ought to be used to reduce the budget deficit, or used to fund affordable housing or some other project. All those would be laudable goals. But we can't achieve either of those two that I mentioned if we don't implement the program first to get the savings.

The savings from the $1 coin extend into other areas of the economy as well. Professor McCandless estimates that the mass transit industry would save at least $124 million annually. Governments at the local and national levels are trying to fund transportation projects, as are we here in Congress, having just passed a highway bill, and we are spending $124 million a year flattening, turning right side up, and counting dollar bills. It seems ludicrous to me.

In 1979, when the Anthony dollar was introduced, there weren't many countries that had gone through the coin for currency exchange exercise. They have learned from us. Now all the major economic powers have coins with a greater buying power than ours.

These countries learned from the mistakes that we made with the Anthony dollar. The key lesson learned is that the equivalent paper note must be removed from circulation, and the quicker, the better.

As you may know, Canada introduced the dollar coin in 1987 and completed withdrawal of the dollar note by the end of 1989. The other thing that I think is very clear is that the Anthony dollar looked and felt like a quarter. It wasn't, as Mr. Wylie suggested earlier, the size. These are all the coins that we have, including a Susan B. Anthony dollar that we've had clad in gold. I probably better not tell Mr. Essner that, since I guess we've defaced one of his coins here. But, as you can see, the size of the Anthony here is not the problem. It is slightly larger than the quarter. The dime and the penny are very, very close in size, but nobody mistakes the two. It was the fact that it felt and looked like a quarter that made it a problem, that and the fact that we left the paper dollar in circulation.

Clearly, the United States is not on the cutting edge of keeping its money modern. As a matter of fact, we're on the trailing edge of that. Because of the Anthony debacle, the public is admittedly weary of a new dollar coin, but I would point out that a new coin has been unpopular in virtually every country where the change has been made. The good news is that after a short period, the public discovers the convenience of the new coin and resistance drops quickly. No country has reversed its decision and returned to paper notes.

I would add also that as far as the Gallup Poll, while the methodology may have been correct, I would suggest that since it was commissioned by the zinc industry, which was concerned about losing the penny, which is not a subject of today's hearing, that one might take that poll with a bit of a grain of salt.

While the Canadian coin dollar initially met with the same opposition we could expect for a new coin dollar in this country, its acceptance grew rapidly after the competing paper currency was phased out. In Canada, public opinion polls show that prior to the introduction of the $1 coin in 1987, only 24 percent of the public liked the idea.

After it was introduced, approval shot up to 52 percent. Several months after that, approval has drifted back down to about 39 percent. Canadians say roughly one-third are in favor, one-third are against, and one-third don't really care that much about it.

The danger in waiting for public opinion to coalesce around the consensus before proceeding is a long lead time required before a $1 coin can be put into circulation. I think the problem we have with our currency is already evident to millions of Americans.

This morning, a commuter, riding on express buses from Staten Island to Manhattan paid the $4 fare with 16 quarters because buses in New York don't accept $1 bills. That commuter will deposit another 16 quarters to get home tonight.

In Chicago's Loop, a shopper needed 12 quarters to park for 2 hours at a parking meter. In California or Arizona, a migrant worker needed 20 quarters for a 5-minute phone call to Mexico City.

I've watched the movement for a $1 coin grow dramatically in the past few years, and I'm pleased that diverse interest groups, including the visually impaired, coin-operated industries, mass transit groups fighting government waste, environmental groups such as I mentioned, have endorsed this single piece of legislation—very diverse groups. This unified support from the private sector was missing during the Anthony's introduction.

I'm also encouraged by the support the idea has received from the Nation's editorial writers and columnists. Over 50 such editorials and columns have come to my attention, and I know that there are many others.

I suggest these editorials demonstrate that when reasonable people have the facts, they will support this governmental action

Our role as elected officials is to help the public understand why this change is both necessary and advantageous.

Mr. Chairman, Congress is often chided for not leading, for not making the tough decisions. That criticism is sometimes justified. Well, here is an example of where Congress can lead.

Public opinion won't. Let's be honest about that. But the public will enthusiastically accept an idea that can save them as taxpayers nearly $1 billion each year, and as consumers, save them even more and increase their convenience.

There's no doubt, Mr. Chairman, that eventually we will have a $1 coin. It's inevitable. The only question is how much time and money are we going to waste before we have one. Thank you.

[The prepared statement of Jim Kolbe can be found in the appendix.]

Chairman TORRES. Thank you, Mr. Kolbe, for your very important statement to us this afternoon.

I would like at this time to yield to my colleague from California for some questions, or perhaps we should—you were going to speak against this, Mr. Bilbray.

Mr. BILBRAY. Kind of half-and-half. A very brief statement.

Chairman TORRES. Let us hear from both of you then, first.

STATEMENT OF HON. JAMES H. BILBRAY, A MEMBER OF THE U.S. HOUSE OF REPRESENTATIVES FROM THE STATE OF NEVADA

Mr. BILBRAY. Mr Chairman, thank you for allowing me a few minutes to speak about the dollar coin proposal.

While I have no objection to the proposal per se, I would be concerned if it ended up affecting Nevada's economy in a negative way. As you know, Nevada's major industry is tourism. Central to this industry is casino gambling.

Millions of tourists annually visit Nevada each fiscal year. In 1990, gaming revenues in Nevada exceeded $4.9 billion. In State taxes alone, in the fiscal year ending June 3, 1991, the gaming industry paid $418.9 million in State taxes, and that is only a portion of what they paid in Federal taxes to the Federal Government of the income produced by these hotels.

Of the gaming revenues in fiscal year 1990, over 60 percent was generated from playing of slot machines and other gaming devices. There are over 136,000 such devices in Nevada casinos, of which 27,500 are dollar denomination.

These devices will only accept tokens or Eisenhower dollars. Because of the scarcity of Eisenhower dollars and their cost, almost all play is from dollar tokens. Dollar tokens are considerably larger than the dollar coin proposed in this bill.

The dollar gaming devices will not accept these coins or the current Susan B. Anthony dollar coins. To accept the smaller coins, the gaming devices would have to be retrofitted with expensive electric coin comparators.

I want to make evident that this is not the intention of this bill, to require coin-operated devices to bear the expense of retrofitting their devices to accept this coin. I hope, therefore, that the committee and Congress will make clear, should this proposal be enacted into law, that Nevada will not have to incur the expense of making its machines accept the new dollar coin.

Mr. Chairman, I hope that you agree with me on this important matter, and I thank you again for allowing me to testify.

I would point out that we are aware that the 1985 bill did allow the use of special tokens, not only in Nevada casinos, but in the subways and other areas across the country, and we just hope, that in haste, if this bill moves forward, that you would make special, at least report language or others, that Nevada does not have to retrofit 27,500 machines, because I am told that, contrary to most vending devices that only have a minor cost to do such a thing, because of the nature of Nevada dollar machines, some of them paying up to $1 million in jackpots, they have to put special devices in the machines that can identify that particular token as not being a slug, so it would be rejected, and it is a very expensive process to take these machines out of circulation, bring them back in, put them in circulation again, and to go with the expense.

So as Nevada does not oppose the dollar coin, we certainly would want the subcommittee to make sure that placed in the legislation is language that makes sure that tokens in our casinos are allowed, as tokens are allowed in other areas of the country, including subways, buslines, and so forth.

Thank you.

[The prepared statement of the Honorable James H. Bilbray can be found in the appendix.]

Chairman TORRES. Thank you, Mr. Bilbray. I am not quite sure I understand how the dollar coin that is proposed by Mr. Kolbe would in any way affect slot machines in Las Vegas. I have been there, played them, and you do not use dollar bills in them, you use those tokens that they sell to you when you give them dollars.

Mr. BILBRAY. According to our casino attorneys and the lobbyists that represent the gaming industry here in Washington and in Nevada, they are concerned that any change in the law could prohibit such a thing by not including in the language such language that would make it very clear that those tokens are allowed to be continually used. Because, over the years, there was a continual battle of the right to use them, because up until the mid-1980's, Nevada casinos used silver dollars in their machines. They used the old silver dollars, and then once the Eisenhower dollar came online, they used the Eisenhower dollar.

The Eisenhower dollar has kind of disappeared, because they are in collector's hands or they are in other hands, people just saving them that are not collectors, just for whatever reason. There are not very many of them available any longer.

Our fear is that unless specific language is put in to refer back to the present law, or any law in the future, that somebody in the Government, in the Department of Treasury, or Justice, or somebody, could determine that those are not legal tender, since we now have a new dollar coin on the market, and therefore, the reason that those coins were allowed by the Nevada Gaming Control Authorities and in conjunction with the Justice Department and Treasury, was because of the unavailability of dollar coins.

We want to make sure that, whatever this subcommittee does, and we are not against the dollar coin, that we are protected by some language within the bill, either in report language or in actual language in the bill, that makes sure that tokens, where used in replacement of dollars, whether in subways or in gaming or wherever it may be, are still protected.

Mr. KOLBE. Mr. Chairman?

Chairman TORRES. Mr. Kolbe.

Mr. KOLBE. Certainly it is not the intention of the legislation to do that. I may be missing something, but my understanding would be, since they are not prohibited now, they are legal now, that there is nothing in the legislation that would prohibit that, but if it is necessary to either add that to make sure that the use of tokens continues to be legal, that would certainly be acceptable.

Chairman TORRES. Mr. Bilbray is here then just playing it safe for the future?

Mr. BILBRAY. Right. Exactly. I am covering all angles and all wagers.

Chairman TORRES. Very good. Mr. McCandless.

Mr. MCCANDLESS. Jim, I understand what you have said. You referred to jackpots. Are these specific machines that have the large jackpots designed for effect, and that is why they use silver dollars?

Mr. BILBRAY. No. I think we even have, I understand today we have $5 machines that use coins, and we also have $100 and $500 machines.

Mr. MCCANDLESS. I was not quite sure the way you went through that.

Mr. BILBRAY. Some of the machines for $1 do pay over $1 million, and some of them are linked with other machines that pay $1 million. We have some that pay $10, $15, $20 million.

Mr. MCCANDLESS. But those are all coin, can be coins?

Mr. BILBRAY. Yes, but they are not U.S. coins, they are clad coins. In fact, I will make available to members of the subcommittee copies of those coins that can be used in Nevada casinos, if so desired.

Chairman TORRES. Mr. McCandless, you have never been to Las Vegas?

Mr. MCCANDLESS. Once.

Mr. BILBRAY. That is a crime.

Mr. MCCANDLESS. Well, I have never lost anything there.

Mr. BILBRAY. That is even worse. [Laughter.]

How will our schools go on?

Mr. MCCANDLESS. Mr. Kolbe, you were very eloquent in your presentation, and I had some thoughts here that I wanted to share with you, and then he got me all excited about going to Las Vegas and gambling.

Why not pass over me right now, and I will try to find those, and come back.

Chairman TORRES. All right, Mr. McCandless.

Mr. Kolbe, your bill calls for the Bureau of Engraving and Printing to print $2 bills to meet demand.

Mr. KOLBE. A sufficient number to meet demand.

Chairman TORRES. A sufficient number to meet demand. Is this not already the law?

Mr. KOLBE. Well, $2 bills are there, they are legal tender, but this suggests that they should increase the production sufficient to meet the demand that we believe will be there if the dollar bill is phased out, and that is all.

In other words, the intention of that is to say that they cannot substitute the dollar coin exclusively for the dollar bill, to meet all demands. There will be a need for paper $2 bills to help to meet that demand, and that is all that is intended to do.

I believe you will find that there will be a significant increase in demand for $2 bills with the phasing out of the dollar bill.

Chairman TORRES. Let me ask you, I believe you cited a poll, as a source of public opinion, a Gallup Poll. Did you cite that?

Mr. KOLBE. Mr. Essner cited it and I just simply responded by noting that that poll had been commissioned by the zinc industry, and I suggested that that might be a reason to view it with just a bit of a grain of salt. I do not challenge the validity of the Gallup Poll, but I just would suggest the uses of it you might——

Chairman TORRES. I was going to ask you why you thought the poll might be unfair, and you anticipated my question, and you have answered it.

Mr. KOLBE. It is not the validity of the way the poll was done, its methodology, but rather, I would just suggest that it ought to be viewed with a grain of salt; that is all.

Chairman TORRES. I see. Do you have specific information as to who paid for the poll?

Mr. KOLBE. The zinc industry commissioned it.

Chairman TORRES. The zinc industry commission.

Mr. KOLBE. The concern of the zinc industry has been phasing out the penny, and that was what they were trying to get at, they were concerned that if you had a coin dollar, you might phase out the penny, and therefore that is what they were trying to get at. That is why they commissioned the poll.

Chairman TORRES. I see.

Mr. KOLBE. They did not, in their questions, ask anything about, in the lead-up to the question, "do you favor a coin dollar or not", say anything about the savings that could result.

I would suggest if you prefaced the question by saying, "a bill has been introduced to save taxpayers $862 million a year in production costs and seniorage, the taxpayers' interest on the debt, $862 million a year, would you be in favor of that," you might get a somewhat different number.

Chairman TORRES. Mr. Barnard, you have been rather well-versed on this issue, and you spoke about it earlier.

Would you have any questions of Mr. Kolbe and Mr. Bilbray, although you were not here to hear their testimony?

Mr. BARNARD. I apologize. The vote on the floor kept me away. I do apologize to my distinguished colleagues for not being present.

I would like to ask my good friend, Mr. Bilbray, in reading your testimony, you indicated that you felt like a dollar coin would impact on an important industry in your State.

Let me ask you, how do you figure that?

Mr. BILBRAY. First of all, I do not think a dollar coin in the sense of a dollar coin would impact. We certainly have used the dollar coin for years in every aspect of that coinage, from the old Morgan dollars right up to the Eisenhower dollars, to the present dollar tokens.

My only concern is the fact that we have over 27,500 machines that would have to be retrofitted to handle that particular type of coin.

Mr. BARNARD. Why is that?

Mr. BILBRAY. Basically, the coin——

Mr. BARNARD. You use coupon coins now, do you not? You use tokens now, do you not?

Mr. BILBRAY. Yes.

Mr. BARNARD. Could you not buy tokens with a dollar coin as well as a dollar bill?

Mr. BILBRAY. Oh, yes. You could do that. What we are worried about is the fact we do not mind a dollar coin coming into circulation. We are not against a dollar coin. All we want to do is, especially for this generation of machines, especially the 27,000–28,000 that are out there using the dollar clad coins, or fitted for the Eisenhower dollar, that can use either one, that they not, some way the wording come out of this subcommittee or this bill out of Congress that takes away the present exclusion that allows these tokens to be used in Nevada casinos.

I do not have the exact cost of the conversion, but the gaming industry tells me that it would be many millions of dollars for the conversion, and that that is all they are concerned about. They are not against the coin. In fact, I have gamers that are for a new dollar coin. They think it is the greatest idea since sliced bread; but the ones that have these vast inventories of machines, that would have to pull them out of circulation while they are being retrofitted, and then put them back into circulation, plus the additional cost because they cannot use a little $35 device to do it, it is a very expensive device that would identify the coin as it goes in.

Mr. BARNARD. But a dollar coin would not necessarily, in and of itself, make them retrofit?

Mr. BILBRAY. No, it would not. Just as long as the exclusion is there in this subcommittee, somewhere in report language or in the actual language of the bill, that keeps the right of tokens to be used by——

Mr. BARNARD. I do not think that we would have a dicker with what you are doing as far as tokens are concerned. That is going too far.

Mr. BILBRAY. Fine. That is what the chairman asked me, and we are just covering our bets here right now.

Chairman TORRES. He is hedging his bets. No pun intended.

Mr. BARNARD. I see you have been to Las Vegas.

Thank you very much. I have read Mr. Kolbe's testimony, and you have done a good job in getting your cosponsors. I mean, how many cosponsors do you have?

Mr. KOLBE. I think as of today we are up to about 212 or 215.

Mr. BARNARD. It is pretty generally across the country.

Mr. KOLBE. It is all across every State.

Chairman TORRES. Mr. McCandless has some questions.

Mr. MCCANDLESS. Mr. Kolbe, you talked about the savings in printing costs——

Mr. KOLBE. Yes, sir.

Mr. MCCANDLESS. By reducing the dollar bill.

Did you take into consideration the fact that there would be a $2 production?

Mr. KOLBE. Yes. That does include the increased costs associated, or the costs associated with increased production of the $2 bill. It also, I might add, takes into account the reverse seniorage that would come from melting down the Susan B. Anthony.

In other words, you have on the books right now a little over $400 million of Susan B. Anthonys that, under our proposal, although those are gradually disappearing—you may not be aware of that, but they are being used now by mass transit authorities more and more, so they are gradually declining, but once you have introduced a new coin, coin dollar, you would want to get rid of the Susan B. Anthony, because the confusion would be tremendous.

Melting those down is included, the loss of having to put back on the books or take off the books the $400 million of seniorage that now is carried by the Mint, that is included.

Mr. MCCANDLESS. So as for experience with coins and notes in Scotland and England, didn't the Scottish have both for awhile?

Mr. KOLBE. One bank still produces pound notes, only one of the three Scottish banks still produce them.

Mr. MCCANDLESS. But if I have my information correct, the Scots still prefer to have that pound note to a pound coin.

Mr. KOLBE. That was true for many—for some time after the introduction of the pound coin in 1985 but as I mentioned only one bank is still producing the notes and the shift to coins has been almost universal, even in Scotland.

I think it is the Scots wanting to be different from the English there but that has changed and they are now using the pound coin as well.

Mr. MCCANDLESS. He's looking for my vote, isn't he? Well, do I understand—or has this phased itself out, that in England the pound note and the pound coin is still available?

Mr. KOLBE. It is not produced. The pound note is not preduced in England. There is only one Scottish bank that still produces the pound note.

Mr. MCCANDLESS. Treasury continues to——

Mr. KOLBE. At least that is my understanding.

Mr. MCCANDLESS. All right, thank you.

Treasury says that Americans prefer dollar bills to dollar coins. Is that something that you find contrary to what your research has done?

Mr. KOLBE. No, I agree. Curbside recycling is a pain in the neck but when people understand the reason for it, they do it. We may not like to have to get in and take the extra second to buckle up our seatbelt but when we understand the reason for it, we are willing to do it.

I believe that when Americans understand $860 millions or more of savings a year, they will support this.

Mr. BILBRAY. I think, Mr. McCandless, it's what you are used to. As a young boy in Nevada we did not have paper dollars hardly in circulation at all——

Chairman TORRES. Put the microphone up closer, Mr. Bilbray.

Mr. BILBRAY. I'm sorry. When I was a young boy in Nevada, we never had paper dollars hardly in circulation. In fact no one liked to use them—the silver dollar, once they were out of circulation people started using paper and then they started preferring paper and when the Eisenhower dollar came on the scene no one wanted to carry Eisenhower dollars anymore so it's kind of almost what you are used to doing I think is what is popular on the scene.

Like I said before, I am not against the dollar coinage bill, in fact, I'll sign on the bill. I think it is a good idea. [Applause.]

Mr. KOLBE. Provided that——

Mr. BILBRAY. Yes, provided that.

Mr. KOLBE. Mr. Chairman, well, go ahead.

Mr. MCCANDLESS. No, that's fine.

Mr. KOLBE. I was just going to add that it's kind of relevant to this that I think there is an interesting phenomenon taking place. Despite the fact that we have become a credit card society, the percentage of paper currency as a percentage of the total M1 has increased since the turn of the century. I think that is largely because of the use of ATM machines, people getting—they don't dispense coins. They dispense only paper. More and more paper is in circulation. I don't think this is going to change as a result of this but we can perhaps make some more rational use of it if there is more use of the $2 bill and we don't have to have so many of the $1 bills around.

Mr. MCCANDLESS. The comment was made that in order to distinguish more the difference between this proposed coin and existing coinage that it be made thicker. Is there anything that you have run across about what kind of actual dimensions or size or shape this should take in order to find its place properly in this whole coinage system?

Mr. KOLBE. Mr. McCandless, as we were talking actually on the tram going over for the vote there, but in response to Mr. Wylie's question, I don't believe the problem with the Susan B. Anthony was anything other than the fact that it looked and felt like a quarter and had the same reeded edge and it had the same color.

If you look at all of these coins—I don't have the half-dollar here, but the penny, the dime, the nickel, the quarter, and the Susan B. Anthony, which has been colored here in gold, covered in gold. There is a difference in the size of each of those.

The penny and the dime are very close together but you never mistake those two in your pocket.

It is the difference in the color, somewhat in the thickness. If you made this too much thicker then you have a problem with every vending machine in the country. Every vending machine in the country is prepared to take the Susan B. Anthony and if you make the coin dollar similar in size to that, you will be able to use it immediately, tomorrow in every vending machine in the country.

Mr. MCCANDLESS. This Professor McCandless is obviously a very brilliant——

Mr. KOLBE. Very astute person, yes, sir.

Mr. MCCANDLESS. I wonder if we might ask you to supply for us a copy of that study.

Mr. KOLBE. Yes, we will certainly do that.

Mr. MCCANDLESS. Thank you, Mr. Chairman.

Chairman TORRES. Thank you, Mr. McCandless, thank you, Mr. Kolbe and Mr. Bilbray for your excellent testimony. Mr. Kolbe, I commend you on your good knowledge of the dollar coin and all its facts therein. So much so that Mr. Bilbray signed on with you.

Mr. BILBRAY. Conditioned on the changes.

Mr. KOLBE. Thank you.

Chairman TORRES. Thank you. We would like to call up at least so we can get started with the next panel, Mr. George Abbott, Mr. Tom Rubin, and Mr. Phil Greenhut.

We apologize again. There is another vote in progress. We have 15 minutes to get there. Maybe we can get some testimony in that interim, and then we will get back to you for questions.

We will start off right away with Mr. George Abbott, with Randolph-Sheppard Vendors of America of Derwood, MD.

STATEMENT OF GEORGE ABBOTT, RANDOLPH-SHEPPARD VENDORS OF AMERICA, DERWOOD, MD

Mr. ABBOTT. Mr. Chairman and member of the subcommittee, I want to thank you for the opportunity to testify here on the United States One-Dollar Coin Act of 1991.

My name is George Abbott, and I am a member of the American Council of the Blind as well as Randolph-Sheppard Vendors of America and the Randolph-Sheppard Vendors of America are a group of about 1,000 members in our organization, of about 3,500 vendors throughout the country who operate and manage small businesses under the provisions of the Randolph-Sheppard Act.

I operate a cafeteria at the National Institutes of Health in Bethesda. Others operate other types of businesses such as cafeterias, snack bars, gift shops, and since the passage of the Canelle Act a number of them, many of them now throughout the country manage vending machine operations located in rest areas on interstate highway systems.

We support the dollar coin for a number of reasons, partly because we handle money in a variety of settings because of the nature of the business that we are in.

Most of us are in situations where convenience and speed coupled with courtesy is essential to the operation of our businesses. We believe that the use of the dollar coin would make that a more efficient operation.

On the discussion on vending machines, there are a number of things with regard to those. Dollar coins, of course, are faster. Bill acceptors are sometimes finicky. They are slower. One of the real problems is that you have to insert the bill in one specific way, which sometimes, like this morning when I caught the subway it took me four tries to get that $5 in there.

The other thing about use of the dollar coin is it would eventually lead to $5 bill acceptors which would then give you change for $5, not in quarters but in dollar coins and we believe that the economics that we have today, that this is a much more reasonable way to handle money. I have noticed that somebody before me talked about all the quarters that they had to use for the buses and subways and I carry a pocket full of them myself for that very reason and I would prefer to carry dollar bill—dollar coins. Excuse me, I almost slipped there.

One of the other items with regard to the vending machine industry I understand that it is more costly to install dollar acceptors. The cost savings to install factory-installed coin mechanisms to accept dollar coins are more reasonable.

A friend of mine who operates a vending machine operation on Interstate 57 in Illinois also tells me that his coin sorters, which are verbal in nature—he can use those by voice—can also be retrofitted fairly easily to accept a dollar coin.

Speaking on behalf of the visually impaired, it was interesting to note, and if I could digress just a moment, part of my testimony states that all bills feel the same and I certainly—if you will indulge me to say this, Mr. McCandless—made comments awhile ago about paper currency and we would certainly appreciate and endorse any efforts to make those methods of currency more identifiable.

The situation doesn't happen often but it happened to me yesterday. An individual misrepresented a $1 bill for a $10, indicated it was a $10. Now this does not happen often and it is not so upsetting to me that I lost $9. What was upsetting to me, I wasn't equal to him in the issuance in that transaction because I couldn't feel that bill, therefore he had the advantage over my hand because of his eyes—so that is just a digression which I hope you'll indulge.

A dollar coin would make counting revenue particularly in vending machine operations, more efficient and faster because it can be sorted by machine rather than by hand.

The other issue that was talked about earlier was the fact that many people did not support the Susan B. Anthony dollar and I think that a number of reasons led to that.

Congressman Kolbe mentioned the fact of the reeded edge and the shape and the fact that it looked like a quarter. All those. Using a dollar coin that is actually acceptable, perhaps you could imprint the image rather than raise the image. Color certainly would be a lot of help to visually impaired persons and I participated in one of the GAO studies that was referred to where a number of people were gathered together who handle money on a day-to-day basis. There were some of us there who, like myself, are visually impaired. There were others there who were bankers, restaurant cashiers, cashiers in convenience stores.

Part of the GAO study also dealt with the penny, so during the course of that evening we talked about the circulation of a dollar coin and getting rid of the penny. All those of us who were there as money handlers on a day-to-day basis were in favor of both of those issues but particularly with the fact that the dollar coin be one of a nature that would make it readily identifiable to people.

I touched on the subway thing just a moment ago.

The dollar coin as an issue, is not a handicapped issue. The Randolph-Sheppard Vendors of America support a dollar coin for the same reasons as the National Automatic Merchandising Association Council of Chain Restaurants and the National Association of Convenience Stores.

Dollar coins are fast and convenient and we urge quick passage of H.R. 1245 but only with the phase-out of the dollar bill. Handling dollar bills and dollar coins would be a worst-case scenario.

Thank you.

[The prepared statement of George Abbott can be found in the appendix.]

Chairman TORRES. Thank you, Mr. Abbott. Thank you for very good testimony.

We are going to rush out of here now to take a vote on the floor and we will be right back to proceed with our hearing.

Thank you, gentlemen, ladies.

[Recess.]

Chairman TORRES. The subcommittee will come to order. Mr. Wylie is back with us I see. We have picked up generally good information telling us that we may have as many as 15, 17 more votes, which will keep us in here till about 9 o'clock tonight, but we want to make sure you get out earlier than that. So, we are going to try to proceed as expeditiously as possible and hope that another vote doesn't come up and we have to leave. So, Mr. Tom Rubin is next on our list. Sir, you have the floor.

STATEMENT OF TOM RUBIN, CONTROLLER-TREASURER, SOUTHERN CALIFORNIA RAPID TRANSIT DISTRICT, LOS ANGELES, CA

Mr. RUBIN. Thank you, Mr. Chairman, members of the subcommittee. It sounds like our sound system is out. Let me get a little closer to the mike. Is this better? Thank you.

We appreciate the opportunity to present testimony on the importance of the dollar coin to the mass transit industry. I am Tom Rubin, I am the controller-treasurer of the Southern California Rapid Transit District in Los Angeles. We are the third largest transit operator in the United States, and this is a matter that is of utmost importance to us.

In 1972, our fare was 25 cents. Passengers got on, dropped in a quarter. In 1983 our fare was 50 cents. Passengers got on, dropped in 2 quarters. Our fare is now $1.10. Passengers get on, God knows what they drop in. We get 4 quarters and a dime, we get $1 bill and a dime, you name it, we get it. It is far, far more difficult for mass transit operators to handle paper in the fare box than it is to handle any kind of coins. That is why I am here today.

It costs us, in direct, identifiable cash cost, over 10 times as much money to process a dollar worth of paper as it does a dollar worth of coin, and that is money that we cannot spend to put transit service on the street. In addition, just the physical problems and the difficulties that result from processing paper can be massive. Paper, unfortunately, has this tendency to jam. And when our fare boxes are jammed we have a problem. We have got two things we can do. One, we can take that bus off the street and not provide service, the other is we can keep the bus on the street and not charge a fare. Neither one is very good. We tend to do the latter, and that costs us money. So, we're trying to get out of that business. The dollar coin is one way we can do that.

Dollar fares are not at all unique to the larger cities in the United States. Many of the smaller and medium size cities have fares—very common fares of $1 or more. Just to give you a couple of examples. Eureka, CA, Freehold, NJ, Juneau, AK, all have a base fare of $1. Fitchburg, MA, Little Rock, AR, Mobile, AL, Columbus, OH, all have express bus fares of a dollar or more. All in all, in a survey that was done a year ago, 43 percent of the transit operators in the United States had a fare, a very common fare that was $1 or more. As for the rest of them, it is just a matter of time before that hits them as well.

I would like to just show you one picture on what a cash handling room looks like—the dollar bill side of it. Well, there are two pictures. This is the Chicago Transit Authority. This is a mess. This is an extremely manually-intensive, slow, one-at-a-time, sorted out, put it right-side-up, stack it operation. It costs us big money. Coins, on the other hand, are almost totally automated, we can handle hundreds or thousands of coins per minute very, very cheaply. The only manual involvement is dumping the coins in at one end and sealing the bags at the other end and then putting them in a stack for the truck to take away.

What we figure is that if we could convert from dollar bills to a dollar coin, by the time the conversion is complete, we could save $3½ million a year. This is one transit operator alone. That is 1 percent of our public subsidy.

Now, what are we going to do with that? Well, we are going to take that $3½ million a year and we are going to put 24 additional buses on the street, and we are going to carry 4.2 million additional riders in Los Angeles alone. Los Angeles is not different, is not unique. All of the transit operations in the United States are either in this same situation or it's just a matter of a few years before they get in this same situation. It is a very important issue for us.

Chairman TORRES. Mr. Rubin, would you yield for a minute?

Mr. RUBIN. Certainly.

Chairman TORRES. Would you explain the $3½ million, the cumulative amount that you have to outlay for dealing with dollar bills? What do you do that it costs you that money?

Mr. RUBIN. Yes sir. There are several elements of this. First of all, the biggest element is that we actually subcontract out the counting of our dollar bills. We sell, to use the term, slightly incorrect in the legal sense, we sell our dollar bills to a contractor. We have large plastic bags of dollar bills, $4,000 by weight. The contractor then weighs them, takes it apart, very carefully goes through——

Chairman TORRES. Is this per day?

Mr. RUBIN. Per day.

Chairman TORRES. Per day?

Mr. RUBIN. Yes. It is $3½ million per year. We process approximately 2 million dollar bills per week, which is two-thirds of our total cash input. So, the contractors process them and we—they charge us slightly over 2 cents on a dollar to do that. In addition, we have our own internal costs. We have about 10 people doing what you saw in that picture, just sorting paper, going through. We are looking for the 5's, 10's, 20's, 50's, and, believe it or not, 100's, that people occasionally put in our fare boxes. Either they are traveling with a very large group, or they did not bring any change, but we are happy to get it. On top of that——

Chairman TORRES. You can give them change for $100, right?

Mr. RUBIN. I am afraid we do not give any change, sir. We—no change whatsoever. That is a matter of security for our bus drivers.

All of the money is locked up securely in the fare box so our drivers are not subject to robbery.

So, we have a situation, besides that, where we have intense maintenance costs. The dollar bill acceptors are, by far, the thing that is most likely to break down on a bus. We actually have roving troubleshooters out in the field to respond. We spend at least half a million dollars a year; that is a very conservative estimate, in maintenance on these dollar bill accepting fare boxes, and there is other cost that I have put on attachment A to my written testimony. So, this is big bucks for us.

Chairman TORRES. So, that includes the guards, the vehicles? You just sub it out? I mean, that is your cost? Somebody buys a dollar and you say—and they take care of the folding, unfolding rather, and straightening out and stacking, binding, putting back in boxes, I guess?

Mr. RUBIN. Yes, sir. Some transit operators do that themselves, with their own in-house staff. We are looking at bringing that in-house because we think, with some new machinery, we might be able to save some money. However you add it up, it is at least 10 times more expensive to process dollar bills than it is to process coins. So, that is why we are here.

We have a couple of other things that are important to us. Security over dollar bills is much harder to maintain than it is over coins. Over coins you have a fairly simple security device, a metal detector. When you put it at the door, it is almost impossible for anybody to get through that metal detector with more than literally a few cents in change. Nobody makes a paper detector. You just cannot tell when somobody is going out. We know we have losses because about two to three times a year, we arrest somebody in our cash room. This is just—we have full surveillance cameras and everything else, but it is a constant problem. If we did not have dollar bills, we are all convinced that our security will be much easier to maintain. Nothing is perfect, but it makes it a lot easier.

I'd like to mention the experience of some of our counterparts in Canada, and I'm driving home the reason why the dollar bill needs to be replaced.

I talked to my counterpart at the Toronto Transit Commission, which is the largest transit authority in Canada. What he told me was the first year after the dollar coin started to circulate, and these were massively dumped on the market by the Canadian Mint, only about 8 percent of their dollar instruments—I'm talking about Canadian dollar bills plus dollar coins combined—were the coin. The second year, that went to about 15 percent.

At the beginning of the third year, Canadian Mint started pulling the paper off. As a matter of fact, this is—you won't find very many of these in Canada anymore; I just happen to have one. At that time, it went to over 45 percent, in 1 year went from about 15 to about 46 percent dollar coins, and last year, it was over 90 percent. The Toronto Transit Commission has experienced savings well into the seven-figure range by being able to stop counting this and to start counting this.

All in all, we are looking at something that allows us to use less public subsidies for a back-office operation that contributes nothing to mobility, nothing to clean air, nothing toward congestion relief, but rather we want to use that to put buses on the street.

The interesting thing that happens is we actually create more jobs by doing it, and we're replacing jobs that are frankly not the most interesting, not the most career-enhancing jobs, with good, solid, well-paying jobs with good benefits that people tend to stick to for a long time and have upward career mobility.

I'll mention that 79 percent of our work force is either minority, female, or both, so our offering jobs is a very important economic driver in the communities that we serve, and we would like to not only offer those jobs, but offer that mobility to those communities so the other people can get to work and get to the store.

Thank you very much.

[The prepared statement of Tom Rubin can be found in the appendix.]

Chairman TORRES. Thank you, Mr. Rubin.

Mr. Greenhut.

TESTIMONY OF PHIL GREENHUT, PRESIDENT, EASTERN VENDING CORP., LINDEN, NJ

Mr. GREENHUT. Thank you, Mr. Chairman. I want to thank the subcommittee for hearing my testimony. I will try to summarize everything I wrote since you have it.

I speak on behalf of the Automatic Merchandising Council of New Jersey, of which I'm on the board of directors, and the chairman of its Save the Dollar Bill Executive Committee. I'm also the president of Eastern Vending Corp., of which I am the president, and we are a small/medium-sized vending company with 17 employees.

I believe the subcommittee should have a state of the industry 1990 report put out by Automatic Merchandiser. I will not go through everything I have written here, but 62 percent of the total vending operators have sales under $254,000 average. Medium operators constitute 29 percent, under $3 million. That's 91 percent of all operators are under $3 million.

They also go into dollar bill validators in here, and the thing that they find is, one, 148 validators per average company, which is the highest number of any piece of equipment by far of any piece of equipment listed. The total validators in use is 988,000, and that's the highest of any piece of equipment in that survey.

Mainly, you will find these validators on small- and medium-sized locations. The figures on validators are astounding because 5 years ago, they were practically nonexistent, and now there are over 1 million in 1991, and it shows the incredible acceptance by the public and the operator, in fact, the largest in the history of vending.

There has been absolutely no research by the National Automatic Merchandising Association or the Coin Coalition into the impact of the dollar bill on small- and medium-sized and even large vending companies, and the impact on our customers.

Where is the game plan to show what would happen if the new dollar coin failed like the Susan B. and the metric system? What is *going* to happen to the small companies and the public, where 60 percent of our sales on validated machines are made by dollar bills according to a survey which you have?

The big vending companies have bill changers, but the small companies serving accounts of small populations—50, 100 people, maybe more—use low-cost validators, which have been excellent for our customers and excellent for sales, with increases at times of 30 to 40 percent in validator machines. If the bill is eliminated, the small account will be destroyed.

The U.S. Government estimates a downsizing in the workplace, but the elimination of the validator will greatly reduce vending service to this downsized workplace.

NAMA and the Coin Coalition talk about converting bill validators and coin mechs which go side by side so that they can take $2 and $5 bills. I will concede, maybe, that most validators can be converted at a reasonable cost of $100 to take $2 and $5 bills. But this is a standard coin mech. This mech holds 68 quarters, 98 dimes, and 66 nickels, for a total of say $26.

This, combined with the validator, will service 100 customers coming up to a vending machine without the operator, myself, having to go there having to fill in any coins. Maybe more. If I convert to dollar coin, they have to put a coin tube here. If I'm going to serve the same 100 customers, how many dollar coins do I need?

If I just take the dollar coin and the Susan B. as the same size relatively—and a quarter, it would take 66 or so, 68, $20, $15 say. But I don't need $15 to service 100 customers, I need 200, 300, maybe 100. Even $100 coins—so when you put in that $5 bill, you would get $4 coin plus change.

You'd need a $100 coin in here. What does this do for the safety of my people who are servicing the machine by having to carry dollar coin if they have to? What does it do for the security of the machine to go from $26, $27 to $100 or $200 sitting inside the machine?

Another important question. How long will it take the dollar coin to float? Will it be a week, a month, a year, or never? My business will depend on that answer. If it never floats or it weakly floats, you finish my use of this validator that's over here because I won't have any dollar bills.

Here's a possible answer. Save the dollar bill, and if you want, phase it out over 10 years, but don't destroy our business, the small- and medium-sized vendor. Have those people who want to use dollar coin use the Susan B. voluntarily, and there are people in this room that are already using the Susan B. in their operations.

The Government saves by not having to get rid of the Susan B., and small- and medium-sized vending companies will not lose their superior ability with the dollar bill. Elimination of the dollar bill will destroy our service of small- and medium-sized customers.

We ask you to think about what the public is going to say about this. One other thing. One of the reasons the Susan B. did not fly was its size, and yet, we're coming up with another dollar coin of exactly the same size; maybe some different features, but the same size.

I want to thank you for this opportunity to speak with you. Thank you.

[The prepared statement of Phil Greenhut can be found in the appendix.]

Chairman TORRES. Thank you. Mr. Barnard.

Mr. BARNARD. I thank you, Mr. Chairman. I won't take a lot of time because I know we do have a vote on the floor, and these gentlemen have been waiting patiently to testify.

Mr. Rubin, I couldn't help but be astounded at the experience that you are having in your operation as far as the dollar bill versus the dollar coin. Could you say that this would be repeated every time we have a transit company as large as your's, or even smaller than your's?

Mr. RUBIN. Yes, sir, there are several other large transit operators, including the Chicago Transit Authority and the Southeastern Transit Authority in Philadelphia that have, as we have, formally adopted a position in favor of this, and the American Public Transit Association, which is the industry association for transit operators, has come out and is a member of the Coin Coalition. This is an experience that is not unique to us. It's virtually every transit operator in the country.

Mr. BARNARD. To be fair now, what about those that operate Metro systems like the Metro here, the subway systems?

Mr. RUBIN. My understanding is that—WMATA here is on the lukewarm side. They have put a lot of money into dollar bill acceptors. They also, as I understand it—and we use the same equipment suppliers—they have the capability of changing their equipment—there we go. I have just been handed—what have I got here?

OK, I'm sorry, I have a resolution of support of the Washington Metropolitan Area Transit Authority. Thank you for the update. They are in favor of the dollar coin.

Mr. BARNARD. I've got to hurry along. Also, I want to indicate to Mr. Abbott—are you a member of any association like—that has similar operations to your's and do they have the same endorsement of the dollar coin?

Mr. ABBOTT. The Randolph-Sheppard Vendors of America is made up of members who are like myself, who operate under the provisions of the Randolph-Sheppard Act and who are visually impaired. Our organization is in support of the bill, of the dollar coin, with the provisions that are in the bill for a tactile surface that will make it to be able to differentiate it between other circulating coins.

Mr. BARNARD. Mr. Greenhut, are you familiar with the McCandless Study of the cost and benefits of replacing the $1 note?

Mr. GREENHUT. I saw it the other day. It was mailed to me, yes, sir.

Mr. BARNARD. Done by a professor out of the University of Chicago.

Mr. GREENHUT. Yes, sir.

Mr. BARNARD. My information is that his study reveals that the vending industry, the vending industry, would have a net savings of between $89 million and $142 million annually if a dollar coin replaced the dollar bill, depending on what discount is used. Can you tell me why does this study not apply to operators like you?

Mr. GREENHUT. Well, first of all, we're small- and medium-sized operators, so it may not apply; I don't know. But I did list in my printed testimony, two coin experts from two leading manufacturing concerns, vending manufacturing concerns, who you could get all this information from that, in general, have indicated to me over the last number or years, that they do not agree with the general savings that have been indicated by a number of people.

Mr. BARNARD. I had in my possession, letters from 35 States and I entered those into the record. Why do you find that New Jersey seems to have a different opinion than the other 35?

Mr. GREENHUT. Well, I think one reason is that we're made up generally of smaller, and medium-sized companies, maybe; I don't know. We have been on this side of this issue for 4 years.

Mr. BARNARD. Was the vote a unanimous vote with all your membership?

Mr. GREENHUT. Absolutely not.

Mr. BARNARD. What was the latest vote?

Mr. GREENHUT. It was not unanimous, but I don't know exactly what it was. It was a board of directors, 10 to 7, maybe, to establish this.

Mr. BARNARD. I am sympathetic with your position. Of course, it's going to impact on somebody. You know, everything does. Whatever we do is going to impact on somebody. But I just wanted to put that in perspective.

Mr. GREENHUT. Could I just say one thing?

Mr. BARNARD. Sure.

Mr. GREENHUT. If this—if the coin floats, nobody has any problems. If the coin doesn't float, my business has deep problems.

Chairman TORRES. Thank you, Mr. Greenhut. There will be other questions. Mr. McCandless and Mr. Wylie will reserve their time. We'll run to vote and we'll get right back and probably finish up before the next vote.

[Brief recess.]

Chairman TORRES. We're going to reconvene, and we'll start where we left off with Mr. Greenhut, asking a question of him. In the interim, I hope that our colleagues will join us.

There is a move on the floor of the House to hold Members there. By using parliamentary strategies, they can prevent more votes from being taken by simply rising with large quorums and things like that. So they may not be here, and I will proceed on my own.

I have received information, Mr. Greenhut, that to retrofit a vending machine with a dollar bill changer, it costs about $2,400, and that a dollar coin receptor runs around $400.

If this is the case, would you, then, be opposed to the change if it were phased in over a period of time.

Mr. GREENHUT. I am not opposed to it, if it is phased in properly. That is correct.

Chairman TORRES. Elaborate on properly.

Mr. GREENHUT. Well, they did have a phase-in of 18 months in the last session. They just cut it to 6 months. There is no way that I am going to know in 6 months which way the public is going to go so I can fix my equipment, if I have to fix it.

There are three problems. You mentioned a coin changer. That is a dollar bill changer. It's a freestanding unit that you can put in 1's, 5's, some combination of bills——

Chairman TORRES. And it gives you coins.

Mr. GREENHUT. It gives you coins. For those operators that have that equipment on large sites, the Veterans coin is going to be a tremendous thing. They can also use them with Susan Bs right now, and many people are starting to do that. In fact, one of them was sitting in the back before.

As far as the machine itself, the candy machine or the pop machine, the question is, I have a dollar bill validator on there. I can convert that dollar bill validator from taking dollar bills maybe to 2's or 5's. For a second, I'll say that's doable at some cost, which is probably $100, plus or minus 100.

But the big thing is the coin mech, which I put away, because that has got to have capacity to accumulate the dollar coin in sufficient quantities to make change of $5 bills.

Now if I'm servicing 100 people between services now, and I want to service the same 100 people on $5, I have to be able to change 100 $5 bills, which would mean that each person, if the then price was under a dollar, each person would get $4 coins and some other, you know, quarters, nickels, dimes, whatever. I think I said that right.

But that machine now has to have a capacity for dollar coins. And how many dollar coins are you going to put in it?

I have 66 or 68 quarters in this mech now at the same size. If I put in 68, how many $5 bills can I change? Not very many.

If I put in $200 coins, and the two would have to be up to here [indicating], or could it be designed, could it fit in this space, then I can change more. But it just gets unwieldy.

What is going to happen, my prediction is that if this goes through, then nobody will convert their machines, except in some kind of specialized situation, but certainly not at small- or medium-sized stops, and we will go back to the situation we had before the validators where sales were not very good and where people came up and were dependent on the change they had with them.

And if they have dollar coins, fine, they're going to use them. But if they don't have dollar coins, how are they going to get change in that stop. They're not going to be able to get it.

Chairman TORRES. Mr. Rubin, do you have any comment on this?

Mr. RUBIN. We're in a different situation. We are a recipient of coins. We don't make change. We just take in what's there.

For us, there really are no downsides to the loss of the dollar bill. Everything is positive all the way across.

Just some minor things. For example, we move our money with forklifts every day. Four quarters weigh—well, a dollar coin is 35 percent of the weight of 4 quarters. Just the matter of moving that mass of money is far easier with us, as we will have dollar coins replacing 4 quarters and other smaller denomination coins.

We will have other things that will happen. Dollar bills, for example, when we hit a busy stop, the worst thing that can happen is the first passenger in line has a dollar bill, and they're sitting there trying to get it into the farebox, and it won't take it, and trying it the other way, and folding it different ways, and we've got people lined up trying to get on the bus, and the bus isn't moving because of the time it takes to get those dollar bills in.

It takes us four to five times as long to board a passenger with a dollar bill as it does with coins. And that slows down our buses. It increases our dwell time. And when we slow down our buses, we can't carry as many people, and it costs us more.

So we see nothing but advantages. Our equipment, fortunately for us, unfortunately for some other industries, our equipment by and large will handle the proposed dollar coin now. Most of our validation equipment works on size or size and weight. There are certain machines that measure the electrical conductivity. That will need some adaptation, but I'm told it will not be extremely difficult once a standard is set.

So we're ready to go. For the transit industry, it's all up, and there's virtually no down to talk about the conversion from a coin to a dollar—I'm sorry—from a dollar bill to a dollar coin.

Chairman TORRES. Thank you. Thank you very much.

Mr. Abbott, would you have any closing thoughts on this, as I prepare to close the record?

Mr. ABBOTT. No, I don't believe I do. Just what I had in my statement and having talked with a friend of mine out in the Interstate Highway System. You know, he is looking forward to the idea of being able to use dollar coins in his facilities and others like him. I don't think I have anything else to add.

Chairman TORRES. I might just indicate to you, Mr. Abbott, Mr. Joe Kolter of Pennsylvania has just given me a letter indicating that he is going to introduce a bill that would aid the visually handicapped or impaired to be able to read paper money.

I—I don't know the details of it yet or the actual wording of the legislation. But you indicated in your earlier statement about there being devised a way to identify paper money. And while I had thought about it, as you read your statement, you would probably have some kind of Braille device, but then you couldn't do that on currency, because then people could counterfeit the amounts, I would suppose.

What other way would a visually impaired person be able to identify the denominations on printed money?

Mr. ABBOTT. OK. It would be possible, I suppose, for somebody to counterfeit Braille markings on bills. I would not think that it would be highly profitable to do that.

For example, if it were to occur at my place and somebody were to bring me bills that were marked in a way that I thought it was, say, a 10 and really it wasn't, eventually I would locate that and would be aware that somebody was doing it, and then I would try to take measure to find out who that person was, and sometimes that takes a little bit of time.

I was speaking with somebody a little bit earlier about Australian money. Evidently it must not be paper. I got the impression it was some type of plastic, which is folding and also very colorful, as the individual told me, and I would suspect that on those plastics Braille markings would hold much better than they would on paper money.

But I think having it marked, you at least have a better chance than not having it marked, and if you have somebody who is going to attempt to counterfeit it, you're probably not going to lose as much as the system that you have now where it's not marked at all.

And it doesn't just apply, I think—as I was listening to Mr. Rubin, is it?

Mr. RUBIN. Yes.

Mr. ABBOTT. About all those 10's, 5's, and 20's, that might have been somebody's Social Security check by mistake, somebody who is not necessarily thought to be legally blind, but an elderly person perhaps who has a loss of vision, who can't read well at certain distances and things like that, where bills that were colored for example or would be an aid to those individuals, where bills that were marked would certainly be much better for someone like myself.

I couldn't help but think that some of that money was done by mistake and not because somebody was in a hurry, because they just couldn't tell what the bill was.

Chairman TORRES. Well, thank you very much. All three of you have been very helpful in helping us understand this issue, this problem. What I'm going to do as subcommittee chairman is keep the record open for another 10 days, and that way enable our colleagues, including myself, who will submit written questions to you on things that we didn't get to ask that will come up later, I'm sure, as a consequence of your testimony here today.

Mr. McCandless and Mr. Wylie can't join us. They are on the floor. They stayed there, as has Mr. Barnard and our other colleagues.

I very much appreciate your patience today, all of you in the audience and the witnesses, for having put up with these votes. But it's been a good hearing. I think it's going to bear fruit, so to speak.

And with that, I would like to thank the staff and all those who have helped us put the hearing together and this hearing is now adjourned.

[Whereupon at 5:20 p.m., the hearing was adjourned.]

APPENDIX

November 6, 1991

OPENING STATEMENT

HONORABLE ESTEBAN E. TORRES

CHAIRMAN

HOUSE BANKING SUBCOMMITTEE ON CONSUMER AFFAIRS AND COINAGE

Good morning. The Subcommittee will now come to order. Today the subcommittee will examine two proposals.

The subcommittee will first hear testimony from four witnesses on the coin redesign bill. Chairman Gonzalez and Senator Cranston have championed this bill in past Congresses and in the 101st Congress over 250 members signed onto to the bill. Testifying on this proposal are from Charles Atherton, Secretary of the Commission on Fine Arts, Robert Leuver, Executive Director of the American Numismatic Association and former Director of the Bureau of Engraving and

Printing, Elizabeth Jones a sculptor and former Chief Engraver at the U.S. Mint and Eugene Essner, the Deputy Director at the U.S. Mint.

The second part of this hearing will focus on a proposal to create a dollar coin. I would like to enter into the record the Congressional Budget Office estimate of the revenues generated by the introduction of a dollar coin. Last Congress this subcommittee commissioned the General Accounting Office to conduct a study on the dollar coin. The GAO determined that there was not considerable public support for the proposal. Nevertheless, it would generate an average of $318 million dollars each year for thirty years. CBO indicates that in 1995 and 1996 $69 and 224 million would be generated, respectively, if the Mint began production in October 1994. Savings would continue to accrue, in increasing amounts after 1996.

George Abbott, President of the Randolph-Sheppart Vendors of America and Tom Rubin, Controller-Treasurer of the Southern California Rapid Transit District will testify on the merits of dollar coin and their respective businesses. Lastly, we will hear from Phil Greenhut, President Eastern Vending Corporation regarding the downside to a dollar coin.

I would like to move ahead expeditiously and yield to the ranking minority member, Mr. McCandless.

OPENING STATEMENT OF REP. AL McCANDLESS
November 6, 1991

Thank you, Mr. Chairman.

Given the contentiousness of the banking bill on the House floor last week and this week, and this morning's full Committee mark-up, this hearing will be like a walk in the park.

I am not a co-sponsor either bill that we will discuss today. That is not an indication of opposition. It is simply an indication that I have not reached a position on them.

Both bills have some interesting features, and some potential problems.

Very briefly, let me try to outline some of my concerns.

With regard to coin redesign, I have never been one who believed that change for the sake of change -- no pun intended -- is necessarily good. Therefore, I am looking for a compelling reason to -- here's that word again -- change our nation's coinage.

As for the dollar coin, I am concerned about the mandatory elimination of the $1 bill. Outside of those involved in vending operations and mass transit, I don't see much in the way of public support for what would be a fairly dramatic change.

Congress tends to be much more reactive than proactive.

There is little doubt that the ultimate success or failure of a $1 coin depends on public support. Yes, we can force the coin on the public without giving them a choice -- but, I question Congress' resolve to withstand the public backlash from such actions.

A $1 coin will provide some assistance for our visually impaired citizens, but there will still be problems with distinguishing $2 bills from 5's, 10's and 20's. Hence, we need to continue our efforts to find a workable and reasonable way to help the visually impaired to distinguish bills.

Again, I make these comments, not predisposed, but to give the witnesses an idea of what I consider to be the key issues. I hope they will address them.

In any event, I thank each of the witnesses for being here. I look forward to hearing your comments.

I realize that each of you had to re-arrange your schedule on short notice. But, that's Congress for you.

Thank you, Mr. Chairman.

Statement of

Rep. Jim Kolbe
before the
House Banking Subcommittee on
Consumer Affairs and Coinage

One Dollar Coin Act of 1991, H.R. 1245

November 6, 1991

(ORAL TESTIMONY)

Mr. Chairman, thank you for the opportunity to testify this morning before the subcommittee.

Hardly a day goes by when you or I don't get mail or read an article calling on Congress to reduce government waste. Except, of course, if that waste should be a military base or a highway construction project in your or my back yard.

This morning we're not talking about government waste in our back yard. Rather, it's government waste in our back pocket--specifically, the one dollar bill.

Any environmentalist will tell you that reusables are better than disposables. Well, a dollar coin is a reusable. It lasts over 30 years. A dollar bill is a paper disposable. It lasts barely 17 months. It seems fitting then that the Citizens Against Government Waste (formerly the Grace Commission) and the Sierra Club both have endorsed H.R. 1245.

What kind of waste are we talking about? A recent study by University of Chicago economist George McCandless, no relation to my distinguished colleague from California, estimates that the government would save at least $862 million annually if a $1 coin replaced the $1 bill. Let me repeat that: the government could save $862 million every year with a coin dollar.

Now, we can debate whether that money should be used to reduce the budget deficit or used to fund affordable housing. Both are laudable goals, but we can't achieve either of them if we don't realize these savings as soon as possible.

The savings from a $1 coin extend into other areas of the economy. Prof. McCandless estimates that the mass transit industry would save at least $124 million annually. Governments at the local and national levels are trying to fund transportation projects, -- and we're spending $124 million a year flattening, turning right side up, and counting dollar bills? This is ludicrous!

In 1979 when the Anthony dollar was introduced, there weren't many countries that had gone through this coin-for-currency exercise. Now, all the major economic powers have coins with a greater buying power than ours. These countries have learned from the mistakes of the Anthony dollar. The key lesson learned is that the equivalent paper note must be removed from circulation, -- the quicker, the better. As you may know, Canada introduced a dollar coin in 1987 and completed withdrawal of the dollar note by the end of 1989.

Clearly, the United States is not on the cutting edge of keeping its money modern. As a matter of fact, we're on the trailing edge.

Because of the Anthony debacle, the public is admittedly wary of a new dollar coin. But I would point out that a new coin has been unpopular in virtually every country where the change has been made. The good news is that after a short period, the public discovers the convenience of the new coin and resistance quickly drops. No country has reversed its decision and returned to paper notes.

While the Canadian coin dollar initially met with the same opposition we could expect for a new coin dollar in this country, it's acceptance grew rapidly after the competing paper currency was phased out. In Canada, public opinion polls showed that prior to the introduction of the $1 dollar coin in 1987, only 24% of the public liked the idea. Shortly after it was introduced, approval shot up to 52%. Several months after that, approval drifted back to 39%.

The danger in waiting for public opinion to coalesce around a consensus before proceeding, is the long lead time required before a $1 coin can be put into circulation.

I think the problem is already evident to millions of Americans. This morning, a commuter riding on express buses from Staten Island to Manhattan paid the $4 fare with 16 quarters because buses in New York don't accept $1 bills. That commuter will deposit another 16 quarters to get home tonight. In Chicago's Loop, a shopper needed 12 quarters to park for two hours. In California or Arizona, a migrant worker needed 20 quarters for a five minute call to Mexico City.

I have watched the movement for a $1 coin grow dramatically in the past few years. And I am pleased that diverse interest groups, including the visually impaired, coin-operated industries, mass transit and groups fighting government waste have endorsed this single piece of legislation. This unified support from the private sector was missing during the Anthony's introduction.

I am also encouraged by the support this idea has received from the nation's editorial writers and columnists. Over 50 such editorials and columns have come to my attention. I know there are others. I suggest these editorials demonstrate that when reasonable people have the facts, they will support this governmental action. Our role as elected leaders is to help educate the people why this change is necessary now.

Mr. Chairman, Congress is often chided for not leading, for not making tough decisions. That criticism is sometimes justified. Well, here is an example of where Congress can lead. Public opinion won't. But the public will enthusiastically accept an idea that can save them as taxpayers as much as $1 billion each year and, as consumers, increase their convenience and save them money. I'm convinced that we will have a dollar coin. The only question is how much time and money will we waste before we have one?

* * *

Congressman James H. Bilbray
Subcommittee on Consumer Affairs
and Coinage
November 6, 1991

Mr. Chairman, thank you for allowing me a few minutes to speak about the dollar coin proposal. While I have no objection to the proposal per se, I would be concerned if it ended up affecting Nevada's economy in a negative way.

As you know, Nevada's major industry is tourism. Central to this industry is casino gaming. Millions of tourists annually visit Nevada. In fiscal year 1990, gaming revenues exceeded $4.9 billion. In state taxes alone in the fiscal year ending on June 30, 1991, the gaming industry paid $418.9 million in state taxes. Of the gaming revenues in fiscal year 1990, over 60% was generated from the play of slot machines and other gaming devices. There are over 136,000 such devices in Nevada casinos, of which 27,500 are dollar denomination. These devices will accept only tokens or Eisenhower dollars. Because of the scarcity of Eisenhower dollars and their cost, almost all play is from dollar tokens. Dollar tokens are considerably larger han the dollar coin proposed in this bill. The dollar gaming devices will not accept these coins or the current Susan B. Anthony dollar coins.

To accept the smaller coins, the gaming devices would have to be retrofitted with expensive electronic coin comparitors. I want to make evident that it is not the intention of this bill to require operators of coin operated devices to bear the expense of retrofitting their devices to accept the new coin.

I hope thererfore, that the Committee and Congress will make clear, should this proposal be enacted into law, that Nevada will not have to incur the expense of making it's machines accept the new dollar coin.

Mr. Chairman, I hope that you agree with me on this important matter and I thank you again for allowing me to testify.

STATEMENT OF CHARLES H. ATHERTON, SECRETARY
OF THE COMMISSION OF FINE ARTS
BEFORE THE SUBCOMMITTEE ON CONSUMER AFFAIRS AND COINAGE
OF THE HOUSE BANKING COMMITTEE
WEDNESDAY, 6 NOVEMBER 1991

Mr. Chairman and members of the Subcommittee, on behalf of the Commission of Fine Arts, I want to thank you for this opportunity to testify on a bill that would authorize changing the designs of our circulating coins. The Chairman, J. Carter Brown, asked me to express his regrets that he could not be here today. Because of his keen interest in the arts, and especially in the design of our nation's coinage, he has been closely following this redesign initiative, as has the entire Commission.

Our interest in coinage matters goes back a long way, to 1915, in fact, when the Commission first took an active role in urging the Mint to develop new designs, an effort, I might personally add, that resulted in some of the best-looking coins this country has ever had.

The Commission felt then, as it does today, that each generation of Americans ought to have an opportunity to express its cultural values in a variety of ways, and the design of our coins is uniquely national in character. At the same time, coins have an individual dimension in the experience of each and every one of us, and this adds enormously to their appeal as a means for expressing a society's culture. So it follows that the Commission is in general an enthusiastic supporter of any legislation that would promote these ends.

Having said this, I should nevertheless point out several reservations the Commission has over the legislation before you today, i.e., H.R. 2636.

Our principal concern is that it mandates the change of all circulating coinage within a specific six year period from the date of the enactment of this legislation. This is a tall order, especially if we are ever to achieve the design excellence that is appropriate to a national coin. That can only be done through the kind of painstaking search that comes with a national competition, if we are truly to reach all Americans in this endeavor. At the same time our past experience dictates that not all of our most distinguished artists are automatically attracted to such an approach, so ways have to be found to engage them as well as rank and file citizens. This will take both time and money to accomplish, as well as a strong commitment on the part of everyone involved.

Secondly, the Commission agrees with the Mint that the American people as a whole are quite fond of their existing coinage, or at the very least are not particularly excited about the concept of change. Therefore it would seem prudent if this legislation were to direct a more cautious approach by limiting changes to one coin at a time, which would relate more closely to the all-important factor of public acceptance. While the legislation could make clear the intent of modifying the designs of all coins, it could leave open the schedule within which these changes should take place. Thus if unexpected difficulties were to occur with one coin, the legislation would allow some breathing room before going on to the next.

Such an approach would seem to be well-suited to the intent of the Congress in making the Bicentennial of the Bill of Rights a subject of the first coin to be redesigned. Since it would only be minted for a period of two years, the Mint would have an excellent opportunity to gauge the public's reaction to the new issue and to learn in the process what needed to be done to make the overall program of change more acceptable.

I believe that the key to acceptability gets down basically to the appeal of the coin to the public. This is a function of the subject matter and the interest it sustains, but more than anything perhaps, is the intrinsic beauty of the coin. Give the American people a beautiful new coin, and the chances for its success are virtually assured.

This concludes the Commission's remarks, Mr. Chairman. I would be happy at this time to answer any questions the committee may have, especially in regard to the all-important function of design.

TESTIMONY OF ROBERT J. LEUVER

EXECUTIVE DIRECTOR OF THE AMERICAN NUMISMATIC ASSOCIATION

BEFORE THE SUBCOMMITTEE ON CONSUMER AFFAIRS AND COINAGE

OF THE HOUSE BANKING, FINANCE AND URBAN AFFAIRS

ON H.R. 2636, A BILL TO MODERNIZE U.S. CIRCULATING COIN DESIGN,

AND H.R. 1245, A BILL TO AUTHORIZE A NEW SMALL-SIZE DOLLAR COIN

AT WASHINGTON, D.C.

NOVEMBER 6, 1991

Chairman Torres, Mr. McCandless, distinguished members of the Subcommittee, my name is Robert J. Leuver, executive director of the American Numismatic Association (ANA). It is a pleasure to again appear before you.

The ANA is the world's largest, nonprofit, educational organization for coin collectors. We have more than 31,000 individual members throughout the world and more than 600 member clubs across the United States.

The ANA, which is celebrating its centennial this year, is chartered in perpetuity by Congress. We are very proud of our Congressional charter and take very seriously its educational aims and aspirations.

I am pleased that you have once again called upon the ANA to comment on the two bills before you -- H.R. 2636, a Bill to modernize U.S. circulating coin designs, and H.R. 1245, a Bill to provide for the minting and circulation of dollar coins.

Each of these proposals has generated more than a little interest, so I would first like to say the ANA heartily endorses the passage of the coin modernization bill, and, strongly supports legislation to create a small-size dollar coin.

H.R. 2636 - COIN REDESIGN

I will begin with H.R. 2636, the Bill to modernize U.S. coin designs. As a member of the ANA since 1985, when I was Director of the U.S. Bureau of Engraving and Printing, I know from personal and professional experience that coins and paper money touch the lives of every American. Beyond their everyday use and their numismatic interest, coins and paper money are not only our legacy to history and to future generations, but also their designs constitute an important statement about what we think of ourselves.

For thousands of years, coins have told a great deal about cultures and societies. Much of the information we have about early Rome comes from its coinage.

In the centuries since, nations and cultures have used the symbols and emblems on their coins to clearly and succinctly display the images they sought to project to the rest of the world. At the same time, beauty and coinage have long been partners, dating to the exquisite ancient Greek and Roman designs that took portraiture to new heights.

The inscriptions and designs on America's own coinage have been the subject of Congressional scrutiny for nearly 200 years. Next March will mark the bicentennial of Congress' first debate on the portraiture and inscriptions that would appear on the then new nation's coinage.

One proposal was to depict George Washington in majestic style, as a king or emperor, with his name appearing on the reverse, followed by a Roman numeral indicating the chronological number of his presidency. His portrait on U.S. coinage would wait until 1932, while Congress instead decided to place an emblematic design of Liberty on the obverse of the coin and an eagle -- long a symbol of strength -- on the reverse of higher-denomination pieces.

Those early United States coins show a great deal of what we thought about ourselves as a nation. By the start of the 19th century, just a few years later, our self-image and the world vision had changed. The young Liberty of America's early coinage was replaced by a more mature but beautiful depiction of Liberty. The eagle, which looked newly-hatched on this country's first coins, was replaced by a strong, heraldic Eagle clutching an olive branch of peace and the arrows of war in its talons.

As the years have gone by, however, the designs on America's coins have lost meaning. As an example, a couple of years ago, Stephen Taylor, then ANA's President, David L. Ganz, now our Vice President, and I were in Pittsburgh for our annual World's Fair of Money. I took an anecdotal survey of Pittsburgh residents to see if they were able to recognize the individuals on our various coins. The trick, of course, was not to let them look at the coins.

One response to this survey placed President Washington on the nickel and another said President Lyndon Johnson was on the dime. The lesson was clear: Americans take their coins for granted and don't look at them -- partly because our coins have been around for so long that the designs are nearly indistinguishable from one another.

The design on the Lincoln cent is now 82 years old -- even the reverse has been with us more than three decades. The Jefferson nickel, first produced in 1938, and the Washington quarter, initially intended as a one-year commemorative coin, are faithful reproductions of the style that existed in 1789. They reflect little of our nation's ever-changing heritage today.

Our more recent coin designs include the Roosevelt dime, first issued in 1945; the Kennedy half dollar, first struck 27 years ago; and the poorly accepted Susan B. Anthony dollar, first issued in 1979. I will comment more on the last coin in relation to the other Bill before you.

When we look at America's coins today, the designs are difficult to compare to the coinage of yesteryear. This has little to do with the artists and engravers, as some of the modern commemorative coins produced by the Mint show the exceptional creativity, beauty and designs produced by these artisans. For example, the rendering on the Statue of Liberty on the $5 commemorative coin designed by Elizabeth Jones and John Mercantis' busts of President Eisenhower on the $1 commemorative issue show demonstrably that the art of talented portraiture on coinage is a marriage that can be accomplished today.

Looking at some of the beautiful designs of the past, as well as some of the contemporary issues, there is simply no reason why the designs on America's coinage can't be modernized.

I have brought several examples from the renowned ANA World Money Museum to show the Committee. I think you'll agree it is possible to design beautiful coins today that reflect our heritage and tell the world who we are.

There is an old axiom, "If it's not broken, don't fix it," and there is a certain amount of truth in that. However, things are fixed without being broken, even in Washington. The Supreme Court Building was erected 60 years ago even though its former meeting place in the Capitol wasn't broken -- "just crowded."

The Lincoln Memorial cent was created in 1959, after its unbroken predecessor had been in circulation for 50 years without any change.

I don't suggest that America's coinage or American money is broken. We all know it's the most widely accepted form of monetary exchange ever in recorded history, but I think it needs fixing.

Give American artists, among the most talented in the world, the opportunity to create truly beautiful coinage that all Americans will be proud to have circulating. Allow our coins to tell the changing story of America to the world. We will be letting history slip through our hands if we don't redesign our coinage to reflect our heritage.

H.R. 1245 NEW SMALL-SIZE DOLLAR COIN

The Bill before you, calling for a small-size dollar coin, is a case where something is broken and needs to be fixed. A small-size, dollar coin was, and remains, a logical coin. Treasury studies, private industry studies and even the less-than-studious know it is, conceptually, a good idea. It would be convenient, commercially useful, a money saver and, if gold in color, readily distinguishable from other coins.

However, the Susan B. Anthony dollar coin was doomed to failure because logic does not dictate tastes and acceptance of consumers or users. The perception was that the Anthony dollar coin was too similar to the quarter. There was, understandably, a belief that this similarity in weight, size and color between the two coins would and did cause endless confusion. Of course, no one ever confuses a $1 note with a $10 bill, even though they are the same size, weight and color.

This Bill before you today would create a gold-colored, dollar coin and also would provide a means of distinguishing its design for the visually impaired.

The American Numismatic Association strongly supports legislation to create a small-size, dollar coin and to assist the visually impaired. I cannot over emphasize the importance of a tactile differentiation for a large-denomination coin. We're all here to fix something that's broken.

I will allow others to speak on the issue of acceptance of a new, small-size, dollar coin. However, before I conclude my remarks, I must note that the Bill under consideration today also would continue the printing of dollar bills in sheet form for collectors. There are many paper money collectors among the ANA's membership, and they laud this effort.

While the ANA Board of Governors has not taken a position on the elimination of the dollar bill, its members have wrestled with the issue for some time. ANA's President, former executive director and nationally syndicated columnist Edward C. Rochette, recognizes the problems the proposal raises, saying: "The elimination of the dollar bill is inevitable. It is the task of Congress, beginning with this Committee, to ensure that the dollar coin be visually distinguishable from our other coins and to include an allegorical representation of Liberty."

If I may, I would like to step away from the official opinions of the ANA, and speak from my personal perspective. The elimination of the dollar bank note and the substitution of the dollar coin make economic sense. A dollar coin will last longer in circulation, and it can be used more widely for vending machines purposes.

Furthermore, I am aware that the number of $1 bills the Bureau of Engraving and Printing must now produce already constitutes 40% to 50% of our nation's paper money production. The number of dollar bills printed annually exceeds 7 billion, with a projected 5-year increase to over 12 billion annually. If the percentage of dollar bank note production continues to increase, as expected, then we, as a nation, will have to invest heavily in capital equipment and production of $1 banknotes that have a circulation life of only 18 months.

When the circulation life of a coin is 16 years, one can only conclude what must be done. The old, small-size, dollar coin is broken and should be fixed.

Thank you for this opportunity to offer these views to the Committee. If the ANA can be of further service to you or your staffs, please contact us.

Statement of Elizabeth Jones
Sculptor, Philadelphia
(former Chief Sculptor and Engraver of the United States Mint 1981-1990)

for presentation to the
House Benking Subcommittee on
Consumer Affairs and Coinage
on November 6, 1991

Mr. Chairman and Members of the Committee, I greatly appreciate having been invited to this hearing, which for many - not just the professionally interested like myself - adresses an issue of singular importance : New circuleting coinage for the United States. Its visual appearance will be affected by your deliberations and the bill you are formulating. While you cannot guarantee the outcome, you can create the necessary conditions that the new coinage has artistic merit. Coins can be works of art, works of the widest distribution, literally in the pockets of every American and of several generations of Americans.

I also welcome the opportunity of this hearing to present for the record the statement I prepared for a similar hearing called by Senator Proxmire in April 1988. The revisions the then Director of the Mint, Donna Pope, insisted I make were contrary to my convictions, and in this ethical conflict I decided not to appear at that hearing.

What was then and is still my opinion, is that the time has come for a change of the U.S. coinage. It is natural, at least for any creative person, to want ones own time given expression. I have made my opinion publicly known from the beginning of my tenure as

Chief Sculptor and Engraver in 1981, and I have been equally outspoken from the beginning that I favor competitions for most coin issues, especially such important ones as a new circulating coinage.

Over the years, however, I have become increasingly aware of the difficulties in conducting proper competitions and establishing optimal conditions to obtain designs of excellence.Thus I said in my statement of 1988 : "I feel any change of coin designs requires great care and deliberation". Considering the time that passed you are indeed moving with caution.

As I am here to offer my comments on a particular bill (H.R.2636) I can only say that it follows the traditional pattern of all coin bills I have seen in the last ten years, and as such it lacks in my opinion specificity. It ought to be more detailed and address the process : how the thematic requirements should be understood, how the artists should be chosen and their designs be judged, or who should be consulted in artistic matters.

Indeed, I believe there is need for additional expert advice in this respect, because the Commission of Fine Arts is not (nor should be) specialized enough and is only involved in the final stage of the approval process. Therefore I would recommend instituting a panel of acknowledged experts from our great museums, our most prestigious numismatic and sculpture associations.

In this context I would like to point out the precedent of the vital role that the American Numismatic Society played in the development of our country's coinage for many years. From its centennial publication of 1958 one learns of the Society having sponsored a contest for a U.S. one dollar coin in 1905; arranged a conference for five of its members, including Victor Brenner, with President Roosevelt; carried on a correspondence with Theodore Roosevelt about the Saint-Gaudens coinage etc. In 1907 the book reports the Society's fight for a more artistically conceived coinage, and with the government recognizing the wisdom of the Society's arguments it finally took the first steps to redesign the fractional coinage in 1913. Among the results are three of our country's most beautiful coins : the five cent

Indian Head or Buffalo Nickel by James Earle Fraser of 1915, the Mercury dime by Adolf Weinman of 1916, and the Standing Liberty quarter by Hermon MacNeil of 1916.

In view of this historical record I would suggest that the American Numismatic Society be given a formal consultative role in all matters pertaining to the redesign of the U.S. coinage, whether of its own or as part of the proposed advisory panel. What I see as the panel's particular value, is that its members could be involved in the process from the outset, that they could be of assistance in the organization of competitions : How to write guidelines, which artists to invite, who to chose for jurias, etc.

The U.S. Mint itself must have at some point considered such a panel, for it refers to previous intentions in the press release for the Bicentennial of the Constitution coins in February 1987 : "The Treasurer also announced that the Treasury Department has decided not to proceed with plans to form an advisory committee on coin and currency design. Instead the Department will rely to a greater extent on the advice of the Commission of Fine Arts to guarantee the quality of future designs". It is not hard to guess why the Mint found the existing arrangement in the end preferable.

As history tells us art is more often than not born out of the struggle with constraints, whereas vagueness on the part of the client has rarely helped an artist, and he would not find much support in your bill either. Its thematic requirements seem to me very vague with respect to the themes indicated for the reverses as well as to their coupling with the existing or to be redesigned obverses. The latter aspect is particularly problematic , and while I am well aware that compromises are the life of politics, I would wish our country's new coinage to have a unified, harmonious design resulting from a clear, logical program.

In fact, both bills, the present (H.R. 2636) and the preceeding (H.R. 1776) of 1987, start out with the words "to modernize". Why then are we perpetuating the obverses? For fiscal purposes or fear of public reaction? I believe any unbiased studies would find either of these hypothetical reasons unfounded. Other countries change their circulating coinage often or ever so often. I feel that these bills and years of work are going only half way.

Can we modernize only by half? For example, which new themes would be coupled with which president? And would whatever theme be meaningful with that particular president? Why should the Bicentennial of the Bill of Rights be on the reverse of the quarter, which honors George Washington, who had little to do with the Bill of Rights compared to James Madison, who has never been chosen for a circulating coin?

The occasion of the Bill of Rights Bicentennial, of course, facilitates the coinage change, and the reverses' themes are thus an obvious choice. But are there not equally momentous achievements this country has made since that are worthy subjects for the coinage of the twentyfirst century? Only one attempt has been made to date to commemorate a technological achievement of this century - our landing on the moon. However, it was joined with a totally unrelated subject, a suffragette, whose legacy dated back to the turn of the century. Not only was the coin's size confusingly similar to that of the quarter, but even more serious was its incredibly incongruous and aesthetically poor design that caused the infamous debacle of the Susan B. Anthony dollar.

Can your bill prevent a similar mismatch? Does it provide for a harmonious artistic and thematic relationship between the obverse and the reverse sides, which is one of the basic principles of coin design throughout history? The bill says that the existing portraits of the presidents are to be considered for "redesign"to give them a more modern appearance. Is one artist going to design and execute the reverse, and another artist to refurbish the presidents' portraits?

I can only agree with Dr. Clain-Stefanelli's testimony at the hearing in July 1989, where she said : "...to add a new reverse to an old obverse seems to me artistically very objectionable, especially when the two parts were created decades apart". Equally convincing is Dr. Clain-Stefanelli's conclusion that "accomplished artists sensitive to the present day ideals and aspirations of this country, and endowed with a refined creative spirit to represent them in an inspired style would be the key to successful design changes".

In case, however, that the bill should be passed as it stands now and the present obverses be retained unchanged, I would like to make one suggestion: Since by now Victor Brenner's portrait of Lincoln has become an American icon, it should be preserved as is, however not on the one-cent piece, but on a coin more worthy of this great president - the new one dollar coin.

Another issue of importance for the design of coins should be discussed in the context of this bill and hopefully settled once and for all: Must our coins have the denomination spelled out in words or might we not take the step now of using numerals? They are common practice in almost all countries of the world, they have been used on U.S. coinage of the last century, and they have also appeared in some of our commemorative issues of the 1980s. Not only would they be easier to recognize, especially by ever more foreigners here, who do not speak English, but numerals would also improve the coins' design. The cluttering of the surfaces by the various inscriptions required by law would be somewhat reduced to the benefit of the design.

A related issue I already dealt with in my 1988 statement concerns edgemarking, that is the placement of inscriptions on the coin's rim, which would gain even more space for the actual composition. Ironically, this entire section was deleted by the then Director of the Mint, Donna Pope, who, however, on a subsequent visit to the Russian mint discovered edgemarking on their coins and started to reintroduce it here upon her return. Many countries, as close as Canada, have employed this device regularly, even the U.S. Mint itself used it not only on Saint-Gaudens' coins, but as recently as the 1960s for foreign coinage produced at its Philadelphia facility.

In order to provide some background to the preceeding comments I would like to add a few remarks about the actual design process.

As soon as a bill was signed into law the Engraving Division was asked by the Director's office to submit drawings, an often exceeded minimum of three per side of each coin. These drawings were to be rendered in a highly finished form, a procedure which I as a sculptor questioned as soon as I joined the Mint in 1981. I believed that an artist's sketch with all elements in place should be entirely sufficient, for the compositional aspects of the design were all that mattered at this initial stage. Besides I felt that sketches were more indicative of the artist's thinking, while engravers with particular illustrator skills easily gave a false impression. This might well enhance their chances for winning a design, but most slick drawings turn out to be too two-dimensional to be well translated to a sculptural medium. And it is indeed in the slow sculpting process that a talent proves itself, reveals its sensitivity.

For this reason I would suggest that the invited artists as well as the Mint staff are asked to submit plaster models of their designs for the new circulating coinage. It will also enable the jury to form a better judgement seeing the designs in a medium that better approximates the end result. Obviously they will still have to make the necessary reductions of scale in their mind, but they are closer to reality than architects' clients, who are usually confronted with more difficult models. When the winning artist is not a sculptor, as happened in several instances during my tenure, the production models have to be executed by the Mint staff, which rarely improves the design, but often proves that it was not suitable for a coin in the first place.

What characterized the design process at the Mint throughout all stages was lack of time. The staff had usually not more than two or three weeks, to do the necessary research and to produce the required renderings, while continuing to perform their regular duties. The final deadlines were always determined by the dates for which the first strike ceremonies were set. What dismayed in particular outside artists was that the time reserved for the approval procedures was at least three times longer than the time they had at their disposal. It is this discrepancy which is regrettable, rather than the fact that all things take their time in Washington. After a lengthy examination at headquarters, which made the pre-selection and often requested changes, the drawings were forwarded to the Treasurer for review, then to the Commission of Fine Arts for its recommendation, and lastly to the Secretary of the Treasury for his final choice. A case of notoriety, which even made the press, may serve to illustrate the Mint's scheduling habits. The first strike ceremony for the Bicentennial of Congress coins was set for June 16, 1989, while the outside artists received their invitations after December 22, 1988 together with apologies for a January 13 deadline, which gave them more or less than two weeks depending on whether or not they were willing to sacrifice the year-end holidays to produce the requested three pairs of drawings.

Such treatment of renowned artists can be called presumptuous and antagonizing, and in the least it is counter-productive, because no first-rate professional is going to accept such treatment twice, especially in view of the low renumeration the Treasury is offering. Equally problematic are the guidelines, which are sent along with the invitations. Mainly technical in nature they ought to fulfill their necessary purpose to the advantage of both, artist and client. Those from the Mint, however, seem entirely self-serving, to make life easier for the Technology Division, to facilitate the proof-polishing process, and ostensibly to help prolong die life.

When these guidelines deal with artistic aspects of the design one can only call them misguided guidelines, because their prescriptions beg for banality and manage to thwart right at the start the creativity of some of the most talented artists in the country. Here are some quotes from the standard edition of the "How to suppress innovative ideas" book: "Caution! No inscription can touch outer edge of design". While one can agree with "Business is generally undesirable for coin aesthetics and proof polishing", it is hard to swallow the next advice "If needed, business is best done symmetrically, especially in circular symmetry".

It is a more serious matter to think, which of our famous coins would not have been produced, because they would not have conformed to today's guidelines. The Indian Head - Buffalo Nickel comes immediately to mind, because the art work on both sides nearly bursts the boundary of the circle. Saint-Gaudens's gold half eagle would not have been acceptable either, because the classic Greek profile and the American Indian headdress behind it form a totally asymmetrical composition. Both were circulating coins, and while production demand was then much lower, so was also the state of coining technology. One of my own designs would also have remained in the drawer, if the guidelines would have been already in force in 1985. Not only is the design of the obverse of the Statue of Liberty five dollar gold coin totally asymmetrical, but also practically all of the design runs into the rim. Yet this design - thanks to collaboration with the technology staff - succeeded to produce a technically perfect coin, the first ever to receive the highest designation since the grading of coins had been introduced.

I realize the Mint will immediatley make the objection seying this was a commemorative coin and therefore not suitable for mass production. My point is that today's state of the art technology should adept to whatever outstanding design might win a competition. The extra effort would probably pay off - my Liberty coin was sold out before date of issue, which has not occurred since in any other commemorative program inspite of greatly reduced mintages to entice the collector.

Since the inception in 1987 of invited competitions it seems that there has been no improvement in design results. In the last several years the commemorative coins resulting from competitions seem to be filled with symbols and graphic elements, an advertisig style that is playing to "the market". The trouble is all the artists know by now what Washington wants and the artists supply it. The result is no commemorative program has been highly successful to this day since 1986. In short, more evidence that the design and selection process must be changed.

As it turns out all the competitions have been called so in name only. Who has ever heard of a competition without a jury? Which competition has not guaranteed the impartiality of the jury by keeping the entries anonymous? Also the Engraving staff's entries were usually submilted under code signs, but upon two occasions I was forced by headquarters to disclose the names the very dey the drawings were delivered.

Similarly improper conduct on the part of the Mint's running the competitions has already been brought up in a congressional hearing on July 12, 1989, as well as in innumerable articles in the coin newspapers and megazines. There were heated debates and rebuttals. In one newspaper report entitled "Controversy erupts at coin redesign hearing" the then Chairman Richard Lehman asked the Director of the

Mint, Donna Pope, to supply the Subcommittee with copies of the design selection procedure saying "I assume you have one or do you just make it up as you go along?" In the same hearing a past president of the American Medallic Sculpture Association (AMSA) said "There are currently no written policies or guidelines for ensuring that coins are well designed and that coin design competitions are conducted properly". And she concluded that this process has "led to widespread disillusionment among the artistic community, which generally believes that U.S. coin design competitions are not conducted fairly". She substantiated these claims by giving details of known improprieties.

Even the most recent competition for the 1992 Olympics - the winning designs were announced this October - was not conducted properly notwithstanding the existence of a "selection panel" with four outside experts.This was an open nationel competition, and about 1100 drawings were submitted. Two of the expert panel members told me that it was difficult to narrow the field down to the thirty the rules asked for, because the general artistic level was so low. They could barelychoose eighteen, and then the panel had to come up with six winning designs for the three coins, and did so without any enthusiasm. The current president of AMSA, a panel member, summed it up to me: "The competition was a misguided attempt to democratize the process, and the entire competition was wrongly devised".

It was obviously also badly handled afterwards as one of the six final designs published in a newspeer showed one drawing that the panel had discarded, but that had been reinstated without the members'knowledge.Also the Commission of Fine Arts, which as usual was to review the designs, never saw them until after the Secretary of the Treasury had already approved them. While this might have been the first case that the Commission literally had to rubberstamp the official selection, its Chairman, J. Carter Brown, is known to have often requested the Mint to submit their chosen designs earlier to allow a thorough review by the full Commission.

Mr. Chairman, I have dwelt upon this regrettable situation with great reluctance. It is a matter of personal and professional pride not to give the slightest impression of harboring resentments. I have also strong feelings of loyalty to many fine and devoted former collegues at the Mint. Still I felt compelled to share with you and the Members of the Committee my experiences and to impress upon you the seriousness of your task of creating a new United States coinage.

ORIGINAL STATEMENT OF ELIZABETH JONES
CHIEF SCULPTOR/ENGRAVER OF THE UNITED STATES MINT
FOR PRESENTATION TO THE SENATE BANKING COMMITTEE
ON APRIL 22, 1988 (RE: S. 1776)

This proposed legislation raises again the question whether new coin designs are desirable. I have from the first days of my appointment as Chief Engraver said in public that I favor new designs. In stating this I have primarily expressed my point of view as artist, for any artist worthy to be so called, must wish to see the spirit of his generation expressed in all art. Some of our coin designs are several generations old, all (with the exception of the HalfDollar) are well past the twentyfive-year "statute of limitations" Congress decreed as the period for coin designs to remain unchanged.

I would also like to mention that I am on record as well for saying that coin designs of such import should not originate in the Mint alone but be the result of wider competition. As far as I myself am concerned, having won three out of four "Inter-national Coin Award" for U.S. commemorative issues, I always welcome the challenge of competitions.

While I am in favor of design changes, I would like to emphasize that I consider our current coins admirably well designed, in a rare combination both attractive and dignified, and generally superior to most coins issued by other nations in this century.

We can be proud that our past governments recognized and met their aesthetic obligation in this respect. It is probably the most aesthetic obligation any government has, because it holds the monopoly of this art form, which at the same time is also the only art form that reaches every citizen, that assumes a presence in the palm of everyone's hand. In the light of these wider implications I feel that any change of coin designs requires great care and deliberation.

The first and foremost task in my mind is to come to a valid definition of what makes a coin a work of art, because only then can we be sure to chose again the best. Everyone, artist as well as critic, contemplating the problems of new coin designs would do well to refresh their memories of the Greek coins of antiquity. In their simplicity boldness and beauty they have set the standards for all future coins, - and, by the way, inspired directly President Theodore Roosevelt to call for Saint-Gaudens' famous designs.

The most remarkable aspect of Greek coin designs from our point of view is that they were conceived at the same small scale at which they were executed. Unlike our coins they were not developed from drawings and models of a larger scale and then brought down to coin size by means of mechanical reducing devices. This direct approach implies a different mental attitude which accepts the constraints of size and material at the outset of the creative process, which in fact, one must conclude, benefited from these limitations of the medium.

On the other hand, the Greek coin sculptors were less encumbered by official requirements than their modern counterparts who have to incorporate a much larger number of emblems and inscriptions in the designs. These elements seriously limit the options of design solutions, and sometimes even pre-empt the introduction of a new thematic feature, as the reverse of the cluttered Benjamin Franklin Half-Dollar of 1948 demonstrates where the Liberty Bell had to co-exist with a miniaturized heraldic eagle. Here legislative assistance could facilitate our design efforts, for instance by permitting in future issues to use a coin's rim for one of the mandatory inscriptions. This is an altogether traditional solution, which was employed in the Saint-Gaudens 20 Dollar piece, where the legend "E pluribus unum" is inscribed around the rim and which is still used in Canada and some other countries today.

Whatever thematic or technical requirements the coin designing artist is asked to fulfill he has always to be conscious of the the compositional laws that govern every design restricted to a circular field and subject to a center dominated disposition of solids and voids. In addition the artist has to determine the scale of the intricate elements in his composition, so that they harmonize with each other and with the size of the coin. And while be is laboring under the exigencies of the extremely low relief, he has to remain aware that what he is creating is neither a fully three-dimensional object, nor a truly two-dimensional one but, even worse, a two-sided object. Its hybrid nature demands, not only for technical reasons, but even more so for stylistic consistency, a balanced relationship between obverse and reverse, an equilibrium evident in the flip of a coin.

Although the range of themes artists are usually asked to represent on a coin is limited, he must interpret each given theme in a way that imbues it with universality, that transmits its meaning in a form instantly understandable to everyone. Similarly and notwithstanding the artist's right to a personal and contemporary interpretation of the given theme - he has to treat it in a way that implies timelessness that raises the resulting form above the level of the fashionable and ephemeral.

It is in this respect that the difference between the coins and the medal becomes especially obvious, because the latter generally deals with specific themes or occasions and addresses limited audiences. But the medal also is in its design subject to different rules, despite the generally circular shape and two-sided nature it shares with the coin. Regrettably the distinction between the two art forms seems to loose its validity and recently even our commemorative coins have become more and more medal-like. Yet, time and again it has been proven that a medal design cannot just be reduced to yield a satisfactory coin.

In this connection I would like to point out that the presentation of a coin design through a large, expertly shaded or colored drawing can be most misleading, because many of its appealing features will not survive the translation into the small hard metal surface of a coin. The jurors of coin design competitions should equip themselves with reducing glasses to get a more realistic perception. They also should require the competition participants to submit in addition to drawings, plaster models. These would not only allow the jurors to arrive at a better assessment of the designs, it would also benefit the artists themselves by getting them more closely acquainted with the intrinsic problems of coin design.

I am mentioning the complexity of these artistic aspects to give an idea of the difficulty of the task and therewith of the importance of selecting the best artist. The most efficient way of obtaining the best design from the chosen artist still seems to be a competition. Over the last hundred years there have been several competitions for new coinage held in this country. In fact two of the four coins we commonly carry in our pockets, the nickel and the quarter, are the result of national competitions, as are some of our past and most beautiful coins, such as the Peace Dollar of 1921 and Adolph Weinman's splendid Walking Liberty Half-Dollar of 1916.

In my opinion an open national competition seems inadvisable for two reasons: It would be highly inefficient as the history of competitions has shown, and it would also be counter-productive as it would deter the best artists from participating. Only in a limited invitational competition will these artists feel that they are competing among their equals. It also has to be admitted that only if they are offered a remuneration that approximates the prices they are receiving for similar work in the market, will the best artists feel it worth partiscipating. Yet, the cause would warrant such expenditure; as it would warrant every other effort by the organizers of the competition to attract the outstanding artist from every field, sculptors, painters, architects, designers, as well as the established specialists, the medallists and the engravers of the Mint.

Equally important for such a competition to attract the best artists is to give them the guarantee that their work will be judged by a specialist jury which carefully assembled from well known experts in this field to include artists, scholars, and critics verse in numismatics in addition to the representatives of the government. This jury should choose form among the anonymous entries three winners, and these winning designs should be submitted, with further recommendations by the Fine Arts Commission, to the Secretary of the Treasury for his ultimate choice.

I have already touched on the problems inherent in the binary nature of coins, but I want to emphasize again that it is imperative - and as an artist with a lifetima of medallic experience I repeat imperative - that both obverse and reverse of each coin be designed by the same artist, since no two artists' hands are alike their styles are bound to be incompetible. Of course, having one artist design both sides does not by itself guarantee a coins harmonious character, because not even the best artist can reconcile incompetible themes, as the example of the Susan B. Anthony Dollar illustrates, where the combination of her portrait with tha unrelated subject of the Apollo spece flight resulted in a most inharmonious coin.

To conclude my remarks on competitions I would like to make the recommendation that the entire question be studied in depth, perhaps along the lines of the most useful "Handbook of Architectural Design Competitions" published this year by the American Institute of Architects here in Washington. Ideally a similar effort should be made to produce a detailed and instructive set of guidelines for the competition participants as well as for the benefit of the jury members. These guidelines ought to include a brief survey of great coin designs and of the criteria which established their aesthetic rank, but would of course deal mainly with the technical specifications and their rationales every competition participant would need to know.

Ubiquitous as coins are they are not as simple to manufacture as it seems, and the realization of new design involves a number of unpredictable factors. How will the metal flow into the new die? How will the relief of one side affect the fill of the relief on the other side? What tonnage will be required in striking the new coin? How long will its dies last before they are worn out? For example, to meet production demands today, the Mint has to produce about 100,000 dies a year. As opposed to a medal which can have a bold high relief produced by a dozen or more strikes from the press with the help of intermittent anealing steps, a coin has to be pressed in a one-strike operation, otherwise no mint would ever meet its production quota. In our case in Philadelphia alone this amounts to thirty million coins a day, while the projected figure for all mints will reach sixteen billion next year.

The single strike process is like a law of nature, and all design considerations seem determined by it. The language spoken inside the mint expresses itself in thousandths of an inch, and every relief feature is judged by its coinability. Fortunately technology can be made to live up to challenges, for it the technical restrictions were indeed unsurmountable this nation would be, for example, without its reputedly most beautiful coin, the Saint-Gaudens' original model was so excessively high that it was in fact uncoinable but, knowing that it was President Theodore Roosevelt's personal ambition to restore classic Greek beauty to American coinage, the Mint's technical staff ultimately made all possible efforts to bring the relief within coinable dimensions. Thus, although specifications cannot be but precise and strict, they should, however, contain provisions that would make it possible to accommodate an artistically outstanding design.

If the preparatory work is done expeditiously, criteria for the selection of artists and jurors established, and the competition mechanism properly devised, and if all this proceeds smoothly and leads to prompt final choices, I parsonally see no problem that form that moment on the country could not have its first new coin within a year. After all, we go back to original plasters, that is to say we start from scratch, each year for tha annual change of date on our current coinage.

The proposed bill S.1776 already stipulates that the first coin to be radesigned would be the Quarter with the appropriately recommended theme of the "Constitution" for the reverse. As far as I can see, there is no particular sequence in which all other coins should undergo their changes in the envisaged tima period of six years. If, I may make a personal recommendation, however, I would suggest the have the One-Cent coin changed the last, because then also the United Sates may find it advisable to follow the example of Great Britain and Canada end to introduce a One-Dollar coin in lieu of the current bill. This One-Dollar coin should in my opinion then carry the portrait of President Lincoln - elevating him to the highest denomination and thereby to the place of honor he deserves.

DEPARTMENT OF THE TREASURY
UNITED STATES MINT
STATEMENT OF ELIZABETH JONES
CHIEF SCULPTOR/ENGRAVER OF THE UNITED STATES MINT
FOR PRESENTATION TO THE SENATE BANKING COMMITTEE
AS SUBMITTED WITHOUT MY CONSENT - E.J.

Mr. Chairman and Members of the Committee, it is my pleasure to be here in support of Mrs. Pope's testimony presenting the Department of the Treasury's position on S.1776, a bill to modify United States circulating coin designs.

There are two aspects to a coin; one is its utilitarian purpose, which is to meet the needs of domestic commerce as a medium of exchange. The other is the artistic and symbolic meanings of a coin. With this in mind, I feel that any change in coin designs requires great care and deliberation.

From an artistic point of view, the first and foremost thing in my mind is to come to a valid definition of what makes a coin a work of art. In this regard, I think we would do well to refresh our memories of the Greek coins of antiquity. In their simplicity, boldness and beauty, they have set the standards for all future coins. By the way, they directly inspired President Theodore Roosevelt to call for Augustus Saint-Gaudens' famous designs, one of which we have just recently used again on our American Eagle Gold coins.

The most remarkable aspect of Greek coin designs is that they were conceived in the same small scale in which they were executed. Unlike our coins, they were not developed from drawings and models of a larger scale and then brought down to coin size by means of mechanical reducing devices. It implies a different mental attitude which accepts the constraints of size and material at the outset of the creative process. In fact, one must conclude that the designs benefited from these limitations of the medium.

In addition, Greek coin sculptors were less encumbered by official requirements than their modern counterparts who have to incorporate an ever increasing number of emblems and inscriptions in the designs. These elements seriously limit what is available to the artist and sometimes preempt the introduction of a new thematic figure. An example is the reverse of the Benjamin Franklin Half-Dollar of 1948, where the Liberty Bell had to co-exist with a miniaturized heraldic eagle. Similarly, I was required to include an eagle in the Mt. Vernon design on the reverse of the 1982 George Washington commemorative Half-Dollar

Whatever thematic or technical requirements the designing artist is asked to fulfill, the artist must always be conscious of the composition laws that govern every design. The artist is restricted to a circular field and, in particular, must determine the scale of the elements in its composition so that they harmonize with each other and with the size of the coin. The artist must labor under the exigencies of the extremely low relief required for a coin in order to ensure that upon the striking of the coin, the metal will move to fill the high points in the design and provide an appropriate image.

The range of themes artists are usually asked to represent on a coin is limited, and they must interpret each given theme in a way that gives it universality. The coin must transmit its meaning in a form instantly understandable to everyone Similarly-- and notwithstanding the artist's desire for a personal and contemporary interpretation of the given theme.-- the artist has to treat it in a way that implies timelessness. Coin designs should not be shortlived, they must rise above the level of the fashionable and ephemeral. It is in this respect that the difference between coins and medals becomes especially obvious, because the latter generally deal with specific themes or occasions, and addresses limited audiences.

A medal also differs from a coin because its design is subject to different rules despite the generally circular shape and two-sided nature it shares with the coin. Regrettably, the distinction between the two art forms seems to lose its validity and even our commemorative coins have recently become more and more medal-like Yet, time and again it has been proven that a medal design cannot simply be reduced and yield a satisfactory coin for circulating purposes.

In this context, I would like to point out that the presentation of a coin design through a large, expertly shaded or colored graphic type drawing can also be most misleading, because many of its appealing features will not survive the translation into the small hard metal surface of a coin. I am mentioning the complexity of these artistic aspects to give a general idea of the difficulty of the task.

I have already touched on the problems inherent in the binary nature of coins but I also want to mention the desirability of having both obverse and reverse of each coin designed by the same artist. Since no two artists hands are alike their styles are not necessarily compatible. Of course adjustments can be made, and having one artist design both sides does not, by itself, guarantee its harmonious character, because not even the best artist can reconcile themes, as the example of the Susan B. Anthony Dollar illustrates, where a combination was used of her portrait with the unrelated subject of the Apollo space flight.

Ubiquitous as coins are, they are not as simple to manufacture as it seems, and the realization of a new design involves a number of unpredictable steps. How will the metal flow into the new die? How will the relief of one side affect the fill of the relief on the other side? What tonnage will be required in striking the new coin? In addition, as Mrs. Pope mentioned earlier, how long will a die last before it is worn out? As opposed to a medal which can have a bold high relief produced by a dozen or more strikes from the press with intermittent annealing steps, a coin has to be stamped in a one-strike operation, otherwise no mint would ever meet its production quota. For example, in Philadelphia this amounts to 30 million coins a day, and the projected figure for all U.S. mints will reach 16 billion next year.

The need for a single-strike process is like a law of nature, and all design considerations are constrained by it. The language spoken inside the Mint expresses itself in thousandths of an inch, and every relief feature is judged by its coinability. Thus specifications for coin designs should be precise and strict, yet contain provisions that would make it possible to accommodate an artistically outstanding design.

Mr. Chairman, this concludes my remarks, I would be happy to answer any questions.

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Handbook of Architectural Design Competitions

1968
Published by The American Institute of Architects

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Photo of the Jefferson National Expansion Memorial, St. Louis, Missouri, by Shin Kumano
The Gateway Arch design of Eero Saarinen & Associates was awarded first prize in 1948 at the conclusion of an open two-stage architectural design competition.

Preface

Design competitions have been a subject of interest to members of The American Institute of Architects since its founding. In 1870 the AIA issued its first "Schedule of Terms" regulating the conduct of architectural competitions. Over the years a series of documents was developed to promote fair conduct on the part of all competition participants. Like other methods of architect selection and design exploration, architectural competitions must be managed carefully and judiciously. Therefore, the Institute advises that any sponsor undertaking a competition inform itself thoroughly about the detailed procedures, methods and techniques involved. Well-run design competitions require:

— a conscientious sponsor,
— a competent professional adviser,
— a thorough and carefully written program,
— complete graphic and other illustrative material,
— fair and precise competition rules,
— clearly stated submission requirements,
— a realistic schedule,
— a qualified jury,
— appropriate prizes,
— arrangements for publicizing the winning design.

The Institute's participation in competitions is advisory and informational. Decisions regarding the appropriateness of the competition method or of a particular type of competition for a specific building project must be made by the sponsor after careful analysis.

This handbook has been produced for sponsors, architects and others interested in learning about the proper procedures for running an architectural design competition. "The Competition Method" provides a brief overview of the design competition system of architect selection. It discusses the types of competitions that can be held, the design "dialogue" they stimulate and the conditions which make a design competition appropriate or inappropriate for a specific project. The next four sections describe in detail the roles and responsibilities of the competition sponsor, the professional adviser, jurors and competitors. "The Competition Program" recapitulates many of the themes developed earlier in the handbook while offering a step-by-step guide for the preparation of a sound and thorough competition program. The time planning and cost estimating guides are included as aids to competition sponsors and professional advisers. Finally, a brief bibliography has been included for the student or professional who wants to learn more about architectural competitions.

The *Handbook of Architectural Design Competitions* has been prepared by the Competitions Task Group of the American Institute of Architects' Committee on Design. The original publication was supported in part by a matching grant from the Design Arts Program of the National Endowment for the Arts to the AIA Foundation. For advice regarding application of this document contact:

Design Programs
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The Competition Method

A Method of Selection

An architectural design competition is one method of finding a design of quality. It generates a broad search for the best solution to a particular building opportunity. The architects who compete for a prize or commission each try to develop a design that answers the program requirements of the client/sponsor. A properly run competition requires that the architect-competitors:
— receive a program prepared by a competent professional adviser.
— work under fair and equitable rules.
— have their submissions evaluated, solely on the merits of their designs, by a qualified jury.

Like other methods of architect selection, design competitions must be managed carefully and judiciously, in this case by a professional adviser. With the assistance of such an adviser, a competition sponsor should inform itself thoroughly about the detailed procedures, methods and techniques involved in holding a competition.

Appropriate Conditions

Design competitions can be used for a wide array of design opportunities: houses, office buildings, parks, squares, libraries, schools, apartments for the elderly, etc. It is the sponsor who must determine if it is in a project's best interests to hold a competition. The following guidelines outline the criteria to be examined in determining when a competition is appropriate:
— The project requires a wide degree of design exploration.
— The project is on an important or unusual site. It may be located in an historical area, or the site itself may be unusual in location, terrain, vegetation or visual impact.
— The project features a type of structure that deserves a fresh examination by the design community.
— The project will have a great and beneficial influence on subsequent design work.
— The project will benefit from the additional public interest a competition may generate.

In summary, *the project considered most appropriate for a competition is one that is best served by addressing the problem to a wide range of talent that will submit a broad array of design concepts for evaluation by recognized experts.*

Inappropriate Conditions

Projects are inappropriate for competitions when any of the following conditions exist:
— *Projects the client wants built on a very short schedule* are poor candidates for competitions, since there may not be adequate time to plan, organize, manage and judge a competition under these circumstances.
— *Projects for which a sponsor is unwilling to establish a qualified jury* should not be undertaken as competitions.
— *Projects for which an adequate development budget is not available* will not be successful. The additional expense of holding a competition is a modest one relative to total project costs, but adequate initial funding is essential.
— *Projects that are insufficiently financed*, but for which a sponsor hopes that a design chosen in competition will either help raise the funds or generate sufficient interest to make eventual construction possible, tend to squander the competitors' design efforts while raising false hopes regarding a project's realization. Design competitions should not be used as fund-raising events.

- *Projects for which sponsors do not offer sufficient prizes* solicit design advice without providing proper remuneration. If a sponsor cannot afford adequate prizes, it is not in a position to hold a competition.
- *Projects lacking adequate professional advice* result in poorly run competitions that benefit neither sponsor nor competitors.
- *Projects without a sound and adequately developed program* do not sufficiently inform the competitors. A design competition should not be held to search for programmatic needs, but rather to discover different ways of addressing such needs.
- *Projects that do not guarantee fair and equitable treatment for all competitors* violate a central principle of design competitions.

A Variety of Projects

Competitions have produced projects of all types in the United States, including:
- Grand Central Station, New York, N.Y.;
- Board of Trade Building, Kansas City, Mo.;
- City Hall, Boston, Mass.;
- Jefferson National Expansion Memorial, St. Louis, Mo.;
- College of Architecture and Planning, Ball State University, Muncie, Ind.;
- Art Museum, Charleston, S.C.;
- Tribune Tower, Chicago, Ill.;
- Housing for the Elderly, Trenton, N.J.;
- Civic Center, Los Gatos, Calif.;
- State Capitol, Lincoln, Neb.;
- Plan for Washington University, St. Louis, Mo.;
- University of California Arts Center, Berkeley, Calif.;
- Police and Courts Building, Jacksonville, Fla.;
- Copley Square, Boston, Mass.;
- Washington Monument, Washington, D.C.;
- Branigan Memorial Library, Las Cruces, N.M.;
- Central Park, New York, N.Y.;
- Birmingham-Jefferson Civic Center, Birmingham, Ala.

Competitions

The competition process is readily adaptable. It can generate a wide array of solutions to a variety of design problems. Competition formats can be modified to accommodate most project requirements. Indeed, each competition must be designed to suit a particular set of circumstances.

The first question to be addressed is what the competition is for. The basic division is between competitions for projects that are to be built, undoubtedly the most useful type, and competitions for exploring design ideas.

Project Competitions lead directly to the erection of specific projects on definite sites. The sponsor's goal in holding such a competition is to:
- *select a design solution* for the project that is judged the best of the competition. With that, the sponsor will also
- *select an architect* who will be commissioned to develop the design and realize the project.

Idea Competitions are held for projects that are not intended to be built. They are useful as explorations of significant design issues, but are limited insofar as they stop short of realization. Nevertheless, idea competitions can stimulate interest in untried possibilities in such areas as memorials, symbolic architecture, city planning and urban design. The subjects for idea competitions should be carefully chosen. Designers are likely to be wary of entering idea competitions that promote or advance a narrow interest, that fail to benefit either the public or the profession, or whose benefits are limited because the ideas cannot be applied or realized.

A second question to be examined is eligibility; that is, who is qualified to enter a particular competition.

Open Competitions are addressed to the entire national or international architectural community. They may be entered by any licensed architect. Usually, open competitions permit entries from architectural designers, students or other design professionals provided they associate themselves with an architect. The purpose of such an association is to assure a sponsor that the design concept being offered in a project competition has come from an experienced professional and can be realized, should be selected. Idea competitions and some project competitions are even more "open." They permit students, associates and professionals in various design fields to enter their submissions directly.

Open competitions are appropriate under the following circumstances:
- The nature of the project suggests that all architects have an equal opportunity to be selected on the basis of design merit.

— The project requires the widest exploration of potential solutions made possible by an open competition.

Limited Competitions restrict the submission of entries to a specific set of architects, such as those who reside within a specified area, are licensed to practice within a particular state or who satisfy other conditional requirements.

Budget restrictions, a desire to make use of local talent, an awareness of and sensitivity to local or regional styles and concerns or a small-scale project that requires a site inspection may all suggest the holding of a design competition limited to those architects living in a specified area.

Invited Competitions are appropriately used by sponsors who want to address their design needs to a small number of firms—frequently six or eight—whose work is of interest to them. The competing firms are paid a fee adequate to cover the costs of their work. In effect, invited competitions "commission" the preparation of several design concepts. Through the recommendation of a qualified jury, the sponsor can then choose the most appropriate design for its building project. Invited competitions also enable the competing firms to develop their designs to a greater degree of detail.

Student Competitions limit the submission of entries to those who are enrolled in a school of architecture. Winners may earn a special prize, such as a scholarship, fellowship or travel award.

A third important question is the phasing of competitions, the steps and time sequences that are employed.

One-Stage Competitions select a winner and rank other prize winning designs in a single sequence. The majority of design competitions are held in one stage, since the requirements of a single-stage submission can be reduced or expanded in relation to the complexity of a project. For idea competitions and real projects of moderate size, a single design phase is usually sufficient as a test of the competitors' designs.

Two-Stage Competitions afford competitors a chance to develop further their initial designs. Those architects who are invited to participate in a second stage receive compensation both as a reward for their work in the first stage and as a means of paying for costs incurred in developing their more detailed second stage entries. The advantages of holding a two-stage competition are summarized as follows:

— It reduces the amount of work required in the original first-stage submission, thus attracting more entries.
— It is an excellent process for selecting promising concepts in the first stage that can be further developed in the second.
— It provides the opportunity for comments by the sponsor and jury before the start of the second stage so that suggestions can be transmitted to the competitors before they refine their designs.
— It permits a further level of judgment on the part of the jury, since in the first stage, only concepts are sought, while in the second, the detailed development of these concepts can be rigorously examined.

Two-stage competitons are appropriate for complex building projects. They encourage architects to undertake a broad exploration for general design concepts in the first stage, while requiring detailed design elaboration in the second.

In the evolution of the competition tradition, formats have been established for a variety of highly specialized projects.

Product Competitions are sponsored by manufacturers interested in the promotion of particular types or brands of building materials. Designers may be reluctant to enter such competitions because they are frequently of more benefit to the manufacturer than the participants. As a result, manufacturers might give careful thought to serving the public concern (and through it their own interests) by sponsoring competitions for subjects of significant public concern rather than holding narrowly defined product competitions.

Prototype Competitions may be sponsored by corporations interested in the prefabrication of various kinds of structures. Architects may be wary of entering prototype competitions unless the prize winning designers are appropriately rewarded and their copyrighted or patented features adequately protected.

Developer/Architect Competitions include design as one of the factors deserving consideration by a public agency in choosing a development scheme, often at a guaranteed price, for a particular parcel of land. Such competitions may be appropriate to the extent that the design aspects of the competition are fairly managed and judged, with all other aspects of selection kept independent.

The Competition Sponsor

Role of the Sponsor

The role of the sponsor is crucial to the success of a design competition. To make use of the reservoir of talent and energy within the architectural profession, a design competition requires the following components:
— a conscientious sponsor,
— an able professional adviser,
— a clear and professionally prepared program,
— a qualified jury.

Of these four key ingredients, only a conscientious sponsor has the opportunity and the obligation to assure the other three. No competition can take place until the sponsor provides the project, the organization and the financial resources to make it possible.

The sponsor's decisions will, to a large extent, determine the success or failure of the competition process. If it is to advance a particular building opportunity, a design competition must be governed by an impartial and carefully developed set of procedures. Poorly run competitions create difficulties that can undermine an entire project.

When a sponsor holds an architectural design competition, it obligates itself to running the competition in accordance with the procedures set forth in the competition program. Prize money, fees and honoraria must all be paid as promised. The contract for architectural services must be awarded in accordance with the competition rules. The sponsor is also responsible for the accuracy of the statements it makes about the competition project. In return, the sponsor should expect all other participants—professional adviser, jurors and competitors—to honor the rules and perform to the best of their abilities.

Cost

The amount of cost, time and effort involved in holding a design competition depends on the complexity of the architectural problem and the extent of participation which the sponsor wishes to encourage. A limited competition for a small library might be run in a few months with a modest amount of funding, while an open two-stage competition that attracts hundreds of entries for a complex subject, such as a major public building, might involve a yearlong timetable and a significant investment. The cost generated by any particular format should be analyzed, for the expenses involved in each will be different.

According to the International Union of Architects (UIA), open international architectural design competitions may range from .5 to 2 percent of the total cost of a project. Generally, the larger the project, the smaller will be the percentage of cost for holding a competition. A range of costs for architectural competitions may be gauged from the information below. The list indicates that competitions can be held for rather modest investments. All but one of the following competitions were held for less than 1 percent of the project budget:
— The Johns Manville (invited) Competition, Colorado (1972-73), cost its sponsors $186,000 or .7 percent of the construction budget of $24,600,000.
— The Rainbow Plaza (open) Competition for Niagara Falls, New York (1972), cost its sponsors $76,000, or 1.9 percent of the budget of $4,000,000.
— The Osaka United States Information Agency (invited) Competition (1967) cost its sponsors $11,000, or .22 percent of its budget of $5,000,000.
— The Birmingham-Jefferson Civic Center (open) Competition (1966-67) cost its sponsors $80,530, or .146 percent of its budget of $55,000,000.

— The Boston City Hall (open) Competition (1961-62) cost $60,000, or .20 percent of its budget of $30,000,000.

Source: Paul D. Spreiregen, **Design Competitions**. New York: McGraw-Hill, 1979, p.222.

The costs of a competition can be divided as follows:

— the fees and expenses of the professional adviser and jurors,
— the prize money awarded to the winning designers,
— managerial and administrative expenses, including advertising, printing, mailing, photography, handling, insurance, storage and meeting space rental, exhibit of entries and press information.

There is, of course, considerable variation in cost distribution. Limited competitions may have a higher percentage of funds devoted to prize money, while most open competitions will incur higher administrative expenses. In general, the amount of prize money should be sufficient to attract competitors. It should also be reflective of the amount of effort and expense required of those who enter. Competitions with extensive submission requirements should offer larger prizes. The specific level of each cash prize should be set by the sponsor after conferring with its professional adviser.

Benefits to the Sponsor

Although they require considerable planning, architectural design competitions offer a number of major benefits to their sponsors, including:

— a means of attaining an outstanding design by stimulating a range of exploration within the profession on the sponsor's behalf,
— sound and experienced judgment and advice from the jury evaluating the different submissions,
— the instructive discipline of having to prepare a comprehensive and realistic building program,
— public attention for the sponsor and project.

A competition places the sponsor's design problem before a large segment of the architectural profession. With many competitors submitting designs in a typical open competition, the sponsor benefits from a wide search for the best solution. Even in smaller competitions, the sponsor has the advantage of finding the most appropriate design.

A partial listing of competitions held in North America since 1958 indicates the profession's continuing interest in entering.

To commission an equivalent number of preliminary designs for any of these projects would obviously have been prohibitive.

In addition to stimulating a search for an innovative design, competitions elicit a great amount of public attention, not only for the winning architect, but also for the sponsoring organization. Contests of all kinds stimulate public interest, and architectural design competitions are no exception. The competition announcement, the deadline for receipt of submissions, the decision of a jury, the awarding of prize money and the opening of an exhibit all are of interest to more than the profession. Each of these events offers the sponsor an opportunity to inform the public about its goals and activities as well as its search for good design.

Limited Competitions:	**Number of Design Entries**
Elderly Housing, Trenton, New Jersey, 1975	27
Old Age Housing, Utica, New York, 1973	63
College of Architecture and Planning, Ball State University, Muncie, Indiana, 1967	40
Civic Center, Los Gatos, California, 1963	81
National Open Competitions:	
Rainbow Plaza, Niagara Falls, New York, 1972	292
Birmingham-Jefferson Civic Center, Birmingham, Alabama, 1967	277
City Hall, Boston, Massachusetts, 1962	256
Copley Square, Boston, Massachusetts, 1960	190
International Open Competitions:	
Pan American Health Organization, Washington, D.C., 1961	100
City Hall, Toronto, Ontario, 1958	525

Source: Paul D. Spreiregen, **Design Competitions**. New York: McGraw-Hill, 1979, pp. 10, 83-84.

— signature of the competitor or team leader stating an intention to comply with the competition rules and all other terms of the program.

The registration form may be printed in triplicate, with one copy going to the professional adviser prior to the registration deadline, one to be enclosed in a sealed envelope that is attached to the competitor's entry and a third to be kept by the competitor as a file copy.

The professional adviser should prepare a list of all registered competitors. In addition to being an important part of the archival record of a design competition, the list can be used for both logistical and informational purposes. For example, in an open competition, the sponsor may want to announce how many architects or design teams are competing and how many states they represent. The list can also help a professional adviser estimate the size of the space that will be needed for displaying all the entries to the jury and for exhibiting the submissions to the general public. Based on past experience, 60 percent is a rough guide for estimating how many registered competitors will actually submit entries.

A small registration fee can be used to separate the serious competitors from those who are merely curious. Costly fees, on the other hand, are likely to discourage many conscientious designers from entering. Since the sponsor benefits greatly from the breadth of architectural work an open or limited competition generates, it has traditionally been the sponsor's obligation to pay the costs incurred in holding a competition. Indeed, many potential competitors would regard it as unfair to be put in a position of subsidizing a competition in addition to absorbing the expense involved in preparing a submission. As a result, registration fees will be more readily accepted if they are applied to the costs of a post-competition exhibition or publication of the submitted designs instead of being used to defray a significant amount of costs incurred in sponsoring the competition itself.

Questions and Answers

Although the competition program should attempt to be sufficiently complete so that no further information is necessary, provision must be made for answering the questions of competitors. Following the close of registration and the mailing of program materials, the professional adviser should schedule a time during which individual registrants may submit questions about the competition program. The deadline for questions should occur prior to the halfway point of the design period. As soon after the deadline for submitting questions as possible, the professional adviser should mail out answers to all registered competitors and to members of the jury—without identifying the competitors who asked the questions.

The objective of the question-and-answer exercise is to allow clarification of program requirements while providing all competitors with as much accurate information as possible. Hence, the professional adviser should be sensitive to the fact that some answers may logically suggest additional questions. These should also be answered. Care should be taken so that the adviser's responses do not suggest a particular design solution.

In an invited competition, the sponsor reimburses travel expenses so that the competitors, as a group, can confer with the sponsor and visit the site. Copies of the program are sent to the competitors in advance so they can publicly ask questions of both the sponsor and the professional adviser. The objective of such a procedure is to ensure that the program's information and instructions are complete and workable.

Assuring Anonymity

To preserve the anonymity of entrants in a design competition, a professional adviser should require competitors to submit their designs in an appropriate and convenient manner. "Double wrapping" is the most protective system. The outer wrapping carries the return address along with the usual postal markings. It should be removed by an assistant to the professional adviser. It is imperative that neither the adviser nor anyone else be permitted to open the sealed envelopes on the back of the entrants' submissions, since these envelopes contain the names and addresses of the competing designers. To identify the entries, the professional adviser may assign each a number, often in accordance with the order in which it arrived. The adviser or an assistant will affix this number on a front corner of each drawing or model and on the sealed envelope, which can then be removed for storage in a secure file. Once the entries are numbered, a photographic record of each submission can be made. The rear-affixed envelopes may be opened only after the winning designs are selected. Until that time, the adviser, the adviser's assistants and, most importantly, the members of the jury will have to refer to each submission solely on the basis of its number.

Exhibit Handling

The professional adviser should assure that an appropriate exhibit space is found. This space should be comfortable, well-lit, private, secure and large enough to accommodate the expected number of submissions. In addition, the adviser should recruit a sufficient number of assistants to set up the display of entries inside the exhibit space in the brief interval between the submission deadline and the arrival of the jury. The adviser should supervise the arrangement of drawings and models to ensure that all competitors' entries can be fairly and properly seen. Several logistical problems must be faced. One is the sheer physical task involved in exhibiting the entries. Time is another problem. Available manpower is still another. The entire procedure requires prior planning.

Checking for Compliance

One of the principal responsibilities of the professional adviser is to examine all designs to ascertain if they satisfy the competition program requirements. This has to be done prior to the jurors' viewing of the designs.

A compliance check regarding submission requirements may be performed by a small team of assistants—often consisting of students or apprentice architects—using a checklist prepared by the professional adviser. The adviser must oversee the team's activity and carefully examine every submission about which any question is raised. The adviser should personally review the entire pool of entries as an added precaution. Specific submission requirements may include:

— the size, scale and number of drawings;
— maximum dimensions, scale accuracy, area and volume computation;
— appropriate use of media (photographs, models, black and white line drawings, limited color or full color techniques).

Complex programs for major projects may require that such technical specialists as cost estimators and energy efficiency experts be retained by the sponsor to check for compliance with specific budgetary, energy use or other programmatic requirements.

When a mandatory program requirement is not satisfied, the professional adviser should mark the design accordingly, noting the shortcoming. The deviant entries are thereby disqualified and excluded from presentation to the jury.

Occasionally, a competitor will exceed the design exhibition requirements by submitting a model or extra drawings along with the panels requested. Such extra items should be set aside and not shown to the jury, for they may give their author an unfair advantage over competitors who have followed the program's instructions.

In-Person Presentations

Invited competitions and the second stage of two-stage competitions may require finalists to present their designs in person to the jury. This gives competitors an opportunity to elaborate on their visual conception and explain the rationale for their design. It also gives jury members an opportunity to ask questions of the authors of each design. Each competitor's presentation may be audiotaped or videotaped for detailed reference by the jury. Such tapes are also a valuable part of the competition record.

The professional adviser's function on such occasions is to ensure that each competitor has ample time and an equal opportunity to use the media available for presentation. The competitors' expenses should be paid by the sponsor.

Jury Schedule and Procedure

Before making contact with potential jurors, a professional adviser should establish a timetable for running the competition. Time, resources and accommodations must be arranged so the jury can:

— visit the project site,
— see all the entries in a fair and equitable way,
— have a secluded space in which to deliberate,
— write a report explaining its choices.

Inviting Jurors

Once the decision is made to invite an individual to be a member of the jury, it is the professional adviser's task to:

— make the initial contact,
— describe the purpose and scope of the competition,
— indicate when and for how long jury service will be required,
— solicit whether or not the individual is interested in serving as a juror,
— negotiate an appropriate fee for the service.

If interest is demonstrated, the adviser should send each potential juror a copy of the competition program in draft form. The program will describe the details of the project and of the competition process to be undertaken. Either a contract or a detailed letter should be sent to each potential juror to establish a fee and identify the juror's responsibilities. The professional adviser should answer the jurors' questions and ascertain that they understand all the clauses of the program before signing a contract or letter of agreement to serve. After receiving a juror's written acceptance, the adviser should notify the sponsor and send an official acknowledgment to the juror.

Report to the Jury

Prior to the jurors' first viewing of the entries, the professional adviser should make an up-to-date report to the jury on the conduct of the competition. In this report, the adviser should explain the reasons why any entries have been disqualified from the competition, whether because of lateness or improper execution of

The Competition Jury

The Function of a Jury

In an architectural competition, the function of a jury is to examine all design submissions with respect to the sponsor's program of requirements.

Normally, upon deciding to construct a new building, a client will personally select an architect. In an architectural competition, however, the client-sponsor enlists the help of an expert jury in evaluating the designs that are submitted for consideration. Thus, in a typical competition, it is the jury's responsibility to examine and evaluate the competitor's designs and to recommend which should be selected.

The use of a qualified jury adds expert judgment to the competition selection process. It also furnishes the sponsor with a level of architectural advice that is not available in commissioned work.

If a sponsor feels strongly that an architectural problem requires a design exploration by many professionals, then the selection of the best solution should be made by experts in the appropriate field. Architects are willing to enter competitions to the extent that they can be confident in the ability of juries to judge their work fairly and fully. The quality of the jurors thus helps determine the quantity and quality of submitted designs.

Commitment to the Competition Process

The task of judging numerous architectural designs is extremely demanding. A great amount of work and responsibility is compressed into the two to five days in which juries customarily meet. Architects and others who agree to become jurors must have a commitment to the competitions process and an interest in the subject that calls forth a particular competitive effort.

Architects who serve on a competition jury should have no vested interest in the sponsor's project or in any of the competing firms. Only as independent professionals can their objectivity be assured.

Obligations

Jurors should regard the competition program as a contractual document binding equally on them as it is on competitors and sponsor. For the jurors as well as the competitors, the competition program and the professional adviser's answers to competitors' questions define the design problem that the competition is expected to answer. Thus, it is a jury's obligation to abide by the program in judging all submitted work. It is essential, therefore, that before agreeing to serve, prospective jurors devote an appropriate amount of time to a careful examination of the draft version of a competition program, paying special attention to:

— the objectives of the program,
— the composition of the jury,
— the dates established for judging,
— the tasks and authority assigned to the jury.

Only after being satisfied regarding all aspects of a competition program as well as the sponsor's commitment to carrying it out, should a prospective juror sign a letter of acceptance and send it to the professional adviser. And only then should his or her name be publicly announced as a member of the jury. When a competition program imposes a mandatory budget or energy use limitation, jurors should give additional consideration before agreeing to serve. They should satisfy themselves that the sponsor is able to obtain reliable information concerning the cost or energy performance of the competitors' designs. In addition to checking for compliance with the project program, such professional consultants may also be able to make a valuable contribution to the evaluation of entries.

By accepting the position, jurors agree to abide by the rules of a competition. In effect, they pledge they will:

— have no contact with any of the competitors,
— devote themselves fully to the task of evaluating entries on the days established for judging,
— respect and maintain the anonymity of the submissions, when anonymity is a part of the requirements,
— abide by the requirements of the competition program in evaluating the competitors' entries,
— refrain from interjecting considerations in addition to or contrary to those specifically described in the program,
— make every effort to arrive at a consensus regarding the selection of a winner,
— submit a report explaining their decision(s).

Most jurors expect to be compensated for their time. Their travel, lodging, meals and expenses should also be paid by the sponsor.

Methods of Jury Selection

Various methods of jury selection have been used in architectural competitions:

— sponsor selection,
— delegation of selection process to a professional adviser,
— delegation to a committee for recommendations or outright selection,
— selection by a recognized professional body of architects after consultation with the sponsor,
— competitors' selection (used only rarely), in which those who are invited to compete cast votes for architects whose names appear on a list of potential jurors established by either the sponsor or a professional organization,
— a combination approach in which the sponsor or professional adviser names a juror, an architectural society names another, the invited competitors may vote for one, and the sponsor and the professional society together might name two more.

Methods of jury selection vary according to the kinds of architectural competitions that are held. International competitions that receive the approval of the International Union of Architects (UIA) take the following approach. The UIA appoints one of the jurors, but the rest are appointed by the sponsor or its professional adviser. The UIA guidelines specify that there be an odd rather than an even number of jurors, that the number not exceed seven, that they represent different nationalities and that the number of jurors from the host country must always be a minority.

The American Institute of Architects suggests that a design competition jury be appointed by the sponsor in consultation with a professional adviser. The AIA does not normally select competition jurors.

However a jury is selected, the goal is to assemble a small group of highly qualified people capable of exercising sound judgment.

Composition of the Jury

Design competition juries should be small enough so members can readily exchange views, individually and collectively, formally and informally. A minimum of three jurors permits an opportunity for different points of view to be examined, while a maximum of seven preserves informality. More than that number diminishes the jurors' opportunities to communicate with one another. Competition juries may be composed of the following types of individuals:

— architects,
— architectural historians and scholars,
— other design professionals,
— consultants from relevant fields,
— representatives of the sponsor or eventual users.

Experience indicates that a majority of jury members in an architectural competition should be architectural professionals with substantial knowledge and skill. This practice helps to ensure that informed judgments are made regarding the merits of the competitors' proposals. Architects are in the best position of any discipline to understand the drawings and visualize the finished product indicated in the graphic material submitted by other architects. In addition, experienced architect-jurors can quickly determine if a particular design is readily buildable, technically and economically.

The presence of fully qualified architects, often supplemented by respected scholars or historians, assures entrants that the work they submit will be fully understood, properly interpreted, and fairly and competently judged. In this way, the quality of the jury will have a constructive influence on the number of entries and the range of design solutions submitted. Qualified architect-jurors are also an assurance to sponsors that the most promising design solution submitted to a competition will be chosen.

Architectural professionals are not the only people who can exercise useful judgments on a competition jury. Where the skills of such design disciplines as city planning, urban design, landscape architecture, structural engineering or interior design are required, individuals from these disciplines should be on the jury.

Nondesign consultants may also serve, where appropriate. Competitions with specialized purposes such as the use of certain building materials or the exploration of particular themes such as energy conservation should have specialized juries. Similarly, different types of buildings such as hospitals, schools, churches, libraries, theatres and museums require persons familiar with the particular requirements of such structures. Librarians, theatre directors, curators, school principals and hospital administrators may all make excellent jurors. Their participation helps to ensure that specific needs or issues will be considered.

A jury need not be solely made up of architects and other professional consultants. Jury members who are representatives of the competition sponsor may help ensure that all building needs are properly met. In competitions where a public agency is the sponsor, one or more jurors may be chosen to represent the agency's or even the public's interest in a project. Neighborhood residents, building industry representatives, eventual users of the new building or structure, social scientists, patrons of the arts and public officials may serve this function. Design professionals frequently find that such jurors have a more detailed knowledge of local conditions and culture than many architects can expect to possess.

The following variables should be considered in determining the architect/nonarchitect ratio on a jury:

— the objective of the sponsor,
— the complexity of relationships and functions within the structure to be built,
— the complexity of relationships with the project's immediate environment,
— the degree of completeness or explicitness requested in the submitted drawings or model,
— the design knowledge of the sponsor or users.

A jury's composition should vary in accordance with the subject of a competition. The major advantage of a jury that includes qualified nonarchitects is the discipline that articulate discussion encompassing a variety of useful viewpoints can stimulate. Such discussions may enrich the selection process by clarifying a jury's search for the most appropriate design in a particular context.

The Architect-Jurors

Unless special regional or local design considerations suggest otherwise, architect-jurors should not be local residents. Rather, they should demonstrate the perspective and objectivity that distance provides. The appointment of a jury composed of respected out-of-town architects serves as an important assurance to competitors that a competition has been well organized, and that the sponsor has sufficient confidence in the process to entrust the evaluation of entries to qualified professionals. The architects who serve on a jury should:

— enjoy a high level of respect among fellow architects,
— have created a body of design work that is respected by a wide range of their fellow professionals,
— be supportive of the sponsor's objectives,
— have experience with and commitment to the competition system.

A jury whose architect-members hold a breadth and depth of view can assure competitors that a fair and equitable search for the best solution, regardless of approach, will be made. In this way, a balanced jury is likely to increase the number of conscientious solutions a competition receives.

The Jury Chairperson

Competition sponsors may either appoint a jury chairperson or leave the selection to the jurors themselves. In either case, the primary function of the chairperson is to ensure that the jury's deliberations proceed in a fair and orderly way. After a winner is selected, the chairperson also supervises the writing of the jury report.

In some situations, sponsors may decide to appoint a nonvoting chairperson to a competition jury. Freed from the task of determining and arguing the merits of personal preferences, an appointed, nonvoting chairperson may be in a better position to manage the jury's group process so that all points of view concerning the merits of different submissions may be heard. Such a nonvoting chairperson may be selected from the staff of the sponsoring organization.

Whatever type of chairperson is employed, members of the jury should understand and agree to its use.

An Undisturbed Setting

A competition jury should be undisturbed during its deliberations. No one other than the jury, the professional adviser, and the adviser's official assistants should be admitted to the room. In certain government-sponsored competitions, "sunshine" laws may be interpreted as requiring that adequate space be set aside so that interested members of the public may observe the jury's proceedings. In such instances, competition officials must ensure that the jury's discussions are not interrupted. The dialogue that takes place should be between members of the jury, not between jurors and the public. Most observers of the competition process would argue, however, that *design juries must hold their deliberations in private.* To expose a jury's process to public view may make sound collective judgment more difficult, if not impossible, to achieve.

Pre-Evaluation Proceedings

Prior to the evaluation of entries, a jury should:

— reaffirm that it is in agreement with the competition program, 16

— select a chairperson (if one has not been designated by the sponsor) to preside over its deliberations and supervise the preparation of a final report.
— visit the site of real project competitions.
— be willing to devote sufficient time, in accordance with the number of entries and complexity of the program, to perform its evaluation responsibilities.
— be given adequate assistance to permit the rearrangement of exhibits as needed.

The jury should be given a report from the professional adviser regarding the conduct of the competition. This report should include the professional adviser's rationale for eliminating any competitor's entry.

The Evaluation Process

A jury's selection of award winners is made by a progressive elimination of entries. At some points elimination decisions may be made by voice vote, at others by written ballot. Each jury should determine its own voting procedures. More important than how votes are tallied, however, is the exchange of views that takes place during a jury's deliberations, for the decisions a jury makes grow out of the dialogue that members have with one another.

In the early stages, a jury will find it useful to focus on the elimination of those schemes that are clearly not of sufficient quality to merit further consideration. After a complete review of all designs, agreement concerning the elimination of inferior submissions is fairly easily obtained. The closer the jury comes to determining potential winners, however, the more demanding the process becomes.

Before examining those entries that deserve serious consideration, a jury may want to reconsider the criteria it is applying. Some criteria for judging the quality of entries will be apparent in the competition program, but additional, mutually discerned criteria may be developed during the course of a jury's deliberations. On occasion, a jury's discussion of the value of different approaches may suggest the reexamination of a previously discarded scheme that had originally appeared inappropriate.

When it reduces the number of entries to those requiring serious consideration, a jury is well advised to enter into a structured discussion of the merits or shortcomings of each remaining design.

After the field is reduced to three or four potential prize winners, a detailed examination of these remaining designs should be made, the strengths and weaknesses carefully compared, and the workability of the intended structures confirmed. When all issues have been thoroughly discussed, the jury should select the first-prize winner and rank the remaining designs.

In the unlikely event a jury decides that none of the submissions meet the expectations of the sponsor, it may be empowered by the competition program to recommend that no first prize be awarded. If the competition rules do not stipulate how prize money will be assigned in such an event, the professional adviser and the jury may make a recommendation to the sponsor.

In two-stage competitions, a jury will convene on two separate occasions to evaluate submissions. At the end of the first stage, the jury's mandate is to choose those schemes that deserve further development. Its task is to select a group of finalists who will be commissioned by the sponsor to develop their original concepts.

Toward this end, a jury will submit a preliminary report to the sponsor. In addition to identifying the finalists, this preliminary report should describe the types of solutions submitted by competitors and explain why the finalists' entries were selected. The jury may also express any concern it has concerning specific features of the finalists' designs that it feels require further examination or improvement. The jury's comments about specific submissions may be forwarded to the finalists as a guide for developing their designs in the second stage. No competitor, however, should be permitted to see the jury's comments on another competitor's design.

The Jury Report

After it has made its final selection, a jury must write a report that explains the rationale for its decision. Because of their importance, jury reports require a sufficient amount of time and attention to produce. The report of a jury has three basic functions:

1. It is written evidence to competitors, sponsor and public alike that the evaluation and selection proceedings were executed with fairness and care, thus conferring both a procedural and aesthetic legitimacy on the prize-winning designs.
2. It is an educational document that describes criteria for evaluating architectural design, thus stimulating thought for competitors, design professionals, the structure's users and the public.
3. It is an historic document that lists the winners and explains why specific designs were chosen, thus elucidating the values attendant to the creation of a structure at a particular time and place.

The report of the jury is presented to the professional adviser for delivery to the sponsor. With the announcement of the competition results, the report becomes a public document.

A jury report should be accurate, comprehensive, and succinct. Each juror should have ample opportunity to offer comments and suggestions, but the report as a whole should speak with one voice. The report should:

— list the award-winning designs and honorable mentions,
— make an appropriate statement of the reasons for the jury's decision in regard to each.

The report may also document the dates of the jury's proceedings, its acceptance of the professional adviser's report, its agreement with the aims of the competition program, its choice of a chairperson, and its site inspection, if one is made. The jury may also wish to comment on the general level of the submissions. To facilitate the writing of its report, the jury should be provided with stenographic and secretarial assistance.

Given clearly expressed objectives and the opportunity to engage in an extensive and fair deliberative process, a conscientious jury will, in all probability, eventually agree upon one best design. Indeed, most competition winners are unanimously selected.

Although a juror's right to disagree with the majority selection must always be preserved, the decision to file a minority report entails a serious responsibility. While a well-articulated minority opinion can focus additional attention on a design that is not declared the winner, it can also undermine the authority of a jury and put the eventual construction of the winning scheme in doubt, especially for a sponsor who must gain approval from another body before the structure can be built.

Meeting With the Sponsor

In addition to producing a report, the jury should meet with the competition sponsor to announce its selection. This meeting offers jurors an opportunity to discuss the major entries with the sponsor, answer the sponsor's questions, and present in-person assessments of the relative strengths of different designs. The dialogue between sponsor and jurors should continue until the sponsor is satisfied that all relevant information has been exchanged. Such a meeting also provides the jury of a project competition an opportunity to voice any special concerns or formulate any recommendations it may have concerning the winner's design. With architects who have developed untested concepts or who are insufficiently experienced, or whose firm may need local technical support, the jury may recommend that a second architect or firm assist the winner. A record of the sponsor's questions and the jury's answers may be made and added to the official record of the competition as an extension of the jury report.

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The Competition Program

Developing a Competition Program

The competition program is the primary vehicle for communicating the sponsor's intentions to all potential competitors. It ensures that every competitor receives exactly the same information on which to base ideas for a design solution. A competition program should contain the following three basic elements:

1. *the procedural rules*, which all participants must obey;
2. *the project program*, including the sponsor's objectives as well as information about site, space requirements and relationships and all other technical details;
3. *the submission requirements*, including the number, type, size and scale of drawings or models.

The Procedural Rules

The rules contained in a design competition program describe the conduct required of all participants in the competition process: sponsor, professional adviser, jurors and competitors. Adherence to the rules is essential in order to maintain the basic tenet of fair play for all participants. The disregard of any rule must therefore be deemed a serious violation. To structure a design competition properly, the procedural rules should cover the following subjects.

1. Type of Competition

   The program should identify what kind of competition is being held:
   —project competition,
   —idea competition,
   —product or prototype competition,
   —developer/architect competition.

   It should also describe the design procedure:
   —one-stage,
   —two-stage.

2. Sponsor

   The individual or organization sponsoring the competition should be identified.

3. Personnel

   The program must identify the professional adviser and all members of the competition jury. Brief biographical information and professional affiliations for both adviser and jurors should be provided. If applicable, the program should also identify all major consultants to the competition and their fields of expertise, such as cost estimation, energy efficiency and mechanical engineering.

4. Eligibility

   The program should announce whether participation is:
   —open,
   —limited by residence, place of registration or other qualification,
   —invited.

   In an invited competition, the competitors are each paid a mutually agreeable fee, with the amount stated in the program.

   The program must identify who is eligible to compete:
   —licensed architects, engineers, planners, landscape architects, etc.,
   —teams in which only the principal or team leader must be licensed,
   —architectural designers,
   —architectural or planning students.

   The program should specify exactly what proof of licensing, if any, is required.

   The rules should state that no associates, employees or direct family of the sponsor, jurors or professional adviser are eligible to compete.

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5. Registration

A registration fee may be charged for entering a design competition. The function of a nominal fee is to separate the serious competitors from those who are merely curious about a project so that the sponsor and professional adviser can estimate the number of entries that will be received and plan accordingly.

The rules should stipulate whether or not competitors may submit more than one scheme in a competition. Generally, only one entry is permitted for each registration. Membership on more than one team may be allowed or prohibited at the discretion of the sponsor.

A statement of agreement to respect all the rules of the competition can be attached to the registration form. The program may require the competitor to sign and return such a statement as part of the official registration.

6. Calendar

The competition program should be mailed to all competitors on the same date, with the reasonable assumption that all will receive it within a few days. This schedule typically establishes the following dates:
—the final date for registering as a competitor,
—the final date for submission of questions to the professional adviser (preferably no later than one third of the way through the design phase),
—the date by which design submissions must be postmarked or by which submissions must be received to be included in the competition
—the dates of the jury's deliberation (both first and second stage in two-stage competitions).

7. Communications

Registered competitors may not communicate regarding the competition with either the sponsor or juror or any other consultant involved in the competition under penalty of being disqualified.

Any questions competitors have should be submitted by letter to the professional adviser in accordance with the competition schedule. The professional adviser's answers to these questions will be sent to all registered competitors without revealing who asked which questions. Competitors who violate this rule will be disqualified.

8. Fees

In an invited competition the sponsor must pay each of the competitors a fee. This amounts to a commission for preliminary design work. The amount of the fee should correspond to the amount and detail of information the competition requires. If the invited competitors (or the finalists in a two-stage competition) are also required to present their designs in person to a jury, their travel and subsistence should be reimbursed.

9. Disqualification

The rules should describe exactly the disposition of a competition entry that fails to meet the requirements set forth in the project program and the design exhibit instructions. In properly run competitions, it is the adviser's duty to disqualify submissions that fail to meet the requirements prior to their being seen by the jury. Should there be any doubt about whether a submission violates the rules, the adviser may request the advice of the jury.

10. Awards

The number and amount of all prizes should be announced. The customary practice in open and limited competitions is for a jury to rank first, second and third prize winners and a number of honorable mentions. In a two-stage competition, the number of competitors who will be selected by the jury to compete in a second stage should be identified. A frequent practice is to award half the prize money at the end of the first stage and the second half following the final judging. Since two-stage competitions and invited competitions provide fees for the competitors, second and third prizes are seldom granted.

The program must announce the nature and amount of the prize to be awarded the competition winner:
—a specific amount of money,
—a commission to develop the winning design,
—money plus a commission,
—money that is deductible from a commission,
—a scholarship for study or travel (if a student competition).

For a project competition, the procedural rules should stipulate that the winning architect will be employed by the sponsor or receive additional compensation. The program should describe the proposed contractual relationship.

This description should include a statement setting forth the alternative compensation the sponsor will pay the winning architect should the project not proceed beyond the competition.

11. Authority of the Jury

The program should state that the sponsor will be bound by the decision of the jury. If it cannot legally delegate its authority to select or contract, the sponsor must state that its actions will be governed by the decision of the jury. In project competitions, the final authority for awarding a commission, whether it be a corporate board of directors or a legislative body, should be clearly identified.

A jury may decide that none of the designs submitted to a project competition sufficiently answers the sponsor's problem. The rules should be written to allow for such a contingency. For example, the jury may advise the professional adviser and sponsor that it cannot find a first place entry to recommend to the sponsor as a buildable design. Given this situation, the rules should be written to permit the jury to recommend either of the following alternatives:

—all announced prizes be given and the winning architect be retained to develop a new or improved design.

—no first prize be given, but the money be used to enrich the awards made for all the prize-winning designs, (second, third, etc.), thus freeing the sponsor to look elsewhere for a design and designer.

The likelihood of such a situation occurring is fairly remote, but the possibility should be taken into account in the competition rules.

12. Jury Report

The competition rules should require the jury to write a report explaining its reasons for selecting the winning design and ranking the other prize-winning designs, including honorable mentions, in the order chosen. A copy of the jury report should be mailed to each registered competitor. In a two-stage competition, the program should also state that the names of the finalists will be sent by mail as soon as possible after the first stage judging.

13. Competition Rights and Obligations

The competition rules should state that it is the competitor's responsibility to wrap and ship design submissions so that they arrive intact and on time. Sponsors should disclaim any responsibility for loss or damage of designs in transit from competitors. While the entries are in a sponsor's possession, however, they must be stored in a secure place. They should also be insured by the sponsor.

Sponsors usually will keep all entries for as long as they deem necessary and should so advise competitors in the rules. All entries that are not awarded prizes should be returned to their authors when no longer needed by the sponsor, provided prior return arrangements have been made by the competitors. The competition rules should state that those entries for which return has not been requested may be disposed of at the discretion of the sponsor. Competitors should be advised to make copies of their submissions prior to sending them so that they will have a record of their work.

Competitors retain the copyright to their entries, even if no notice of copyright has been affixed, but the sponsor may want the right to make certain uses of the works submitted and should therefore request permission for specific uses on the competition registration form. Some uses, such as photography for publicity purposes, may be encompassed within the doctrine of "fair use" so that the sponsor will not need the author's permission. However, the "fair use" doctrine is not clearly defined by the copyright law and should never be relied on except as a last resort. Requesting and receiving permission for specific uses will protect the sponsor from suit for infringement, so long as the sponsor does not make unauthorized use of the works.

Sponsors should request permission to photograph or otherwise record all submissions for archival and publicity purposes. The rules should state that relevant information will be included in the archive and may be released to the various media. Any copyright notice that the author has affixed must be included in the archive and in any publicity material.

If an exhibition is planned, the authors' permission must be granted, for the right to display a work is not encompassed in the doctrine of "fair use." The sponsor should also request permission to circulate the exhibition to various institutions if a traveling exhibition is

Disregard of the submission requirements by competitors is a violation of the rules. Those entries that do not follow the instructions should be disqualified from the competition by the professional adviser. The instructions should stipulate how extra materials such as an unrequested model or additional drawings will be handled. The preferred procedure requires the professional adviser to withhold from the jury the extra materials in order to maintain comparability among designs.

1. Drawings

   The number, size, scale and type of drawings from each competitor should be specified. This is a critical decision. The professional adviser should plan this most carefully with the sponsor. By specifying simple types of drawings and avoiding unnecessarily elaborate detail, the adviser and sponsor can ensure that the competitor's efforts will be concentrated on searching for the best solution to a problem. The conventional types of drawings include:
   —site plan,
   —elevations,
   —sections,
   —isometrics,
   —axonometrics
   —perspectives.

   Perspectives may be required from specified points of view, either from the exterior or to illustrate important interior spaces, such as an assembly or exhibit area. Perspectives should be optically correct.

2. Models

   Models should be kept very simple, since they are costly to construct and ship. Generally, the requested model should be "mass" or "white only," showing only overall form, not detail, colors or materials. If transparency is an essential of a proposed design, transparent materials should be allowed. The photograph of a small model may substitute for a perspective or isometric, particularly in an open two-stage competition. If a model is required, its precise base dimensions should be specified (including depth or thickness of base). Topographical interval should also be specified. If deemed helpful, a model of the surrounding area into which all competitors' models can be inserted should be constructed. This allows all of the competitors' models to be examined against a common standard and, of course, saves competitors unnecessary work.

   Models are seldom required as design exhibits in one-stage competitions or in the first stage of two-stage competitions. Models are frequently used in invited competitions and in the second stage of two-stage competitions.

3. Scale

   The scale of all drawings and of the model is very important because scale determines the degree of explicitness sought in the design studies of the competitors. Although it will vary with the project, the scale of submissions can usually be relatively small. In general, scale should be set by the professional adviser in a way that is consistent with the sponsor's objectives and the competitors' design search.

4. Explanatory Drawings, Diagrams or Text

   It may be helpful to require explanatory drawings, diagrams or text as part of the submission. Specific drawings, such as wall sections, may also be required to indicate materials and construction. Limiting the number of auxiliary exhibits and keeping them small, compels competitors to focus on essentials.

   If the competition subject includes an interest in a particular aspect of design (such as passive solar energy), that aspect should be allowed a specified portrayal. A short text, explanatory diagrams and drawings, or a personal presentation of the design to a jury are all appropriate possibilities. If any feature of a competitor's design submission has been copyrighted or patented by another party, acknowledgment of the patent should be required of the competitor.

5. Gross Area or Volume Tabulation

   Competitors may be required to furnish an area tabulation on their drawings. This should be done according to a specified format to facilitate comparison. The competitors may be required to furnish a gross area or volume tabulation showing the trial size of the building design.

6. Cost Estimation

   Cost estimations may be required, but cannot be expected to have a high degree of reliability except in more elaborate invited competitions, or in the second stage of two-stage competitions. If a cost limitation is mandatory, the sponsor should hire a single consultant to perform cost estimates of all entries on a comparable basis.

Design Competitions Appendix

Time Planning Guide

The sponsor and professional adviser should calculate the amount of time required for the following steps. Note that several tasks can proceed simultaneously.

1. Preliminary Discussion and Formulation
   a. In-house discussion by sponsor
   b. Fact finding
   c. Interviewing and selecting a professional adviser

2. Competition Planning
   a. Program development
   b. Competition documents preparation
   c. Jury selection

3. Competition Initiation
   a. Announcement in professional press and other media
   b. Receive inquiries and registrations
   c. Log same
   d. Distribute program on a specified date

4. Competition Operation
   a. Time interval for competitors to prepare designs
   b. Receive "questions" from competitors
   c. Prepare and distribute "answers"

5. Receipt of Entries
   a. Receive all design entries
   b. Unpack and arrange all entries for jurors' examination
   c. Maintain security of designs
   d. Arrange for public display if required
   e. Examine designs for compliance
   f. Photograph all designs for historical record

6. Jury Operation
   a. Jury examines designs
   b. Selects winner

7. Announcement of Winner
   a. Press release and conferenc
   b. Public exhibition

8. Follow Through
   a. Prepare competition publications
   b. Pay all bills
   c. Return or dispose of unpremiated designs

Note: When a two-stage competitio is held, steps 4-6 are repeated.

A Brief Competitions Bibliography

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I

102D CONGRESS
1ST SESSION

H. R. 2636

To modernize United States circulating coin designs, of which one reverse will have a theme of the Bicentennial of the Bill of Rights.

IN THE HOUSE OF REPRESENTATIVES

JUNE 13, 1991

Mr. GONZALEZ (for himself and Mr. TORRES) introduced the following bill; which was referred to the Committee on Banking, Finance and Urban Affairs

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A BILL

To modernize United States circulating coin designs, of which one reverse will have a theme of the Bicentennial of the Bill of Rights.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. DENOMINATIONS, SPECIFICATIONS, AND DESIGN OF COINS.

Subsection (d)(1) of section 5112 of title 31, United States Code, is amended by striking the fourth sentence.

SEC. 2. DESIGN CHANGES REQUIRED FOR CERTAIN COINS.

Subsection (d) of section 5112 of title 31, United States Code, is amended by adding at the end the following new paragraph:

"(3) The design on the reverse side of the half dollar, quarter dollar, dime coin, five-cent coin and one-cent coin shall be selected for redesigning. One or more coins may be selected for redesign at the same time, but the first redesigned coin shall have a design commemorating the two hundredth anniversary of the ratification of the Bill of Rights to the United States Constitution for a period of two years after issuances. After the two-year period, the bicentennial coin shall have its design changed in accordance with the provisions of this subsection. Such selection, and the minting and issuance of the first selected coin shall be made not later than one year after the date of the enactment of this paragraph. All such redesigned coins shall conform with the inscription requirements set forth in paragraph (1) of this subsection.".

SEC. 3. DESIGN ON OBVERSE SIDE OF COINS.

Subsection (d) of section 5112 of title 31, United States Code, is amended by adding at the end the following new paragraph:

"(4) Subject to paragraph (2), the design on the obverse side of the half dollar, quarter dollar, dime coin, five-cent coin, and one-cent coin shall contain the likenesses of those currently displayed and shall be considered for redesign. All such coin obverse redesigns shall conform with the inscription requirements set forth in paragraph (1) of this subsection.".

SEC. 4. SELECTION OF DESIGNS.

The design changes for each coin authorized by the amendments made by this Act shall take place at the discretion of the Secretary and shall be done at the rate of one or more coins per year, to be phased in over six years after the date of the enactment of this Act. In selecting new designs, the Secretary shall consider, among other factors, thematic representations of the following concepts from the Bill of Rights: freedom of speech and assembly; freedom of the press; freedom of religion; the right to due process of law; and other appropriate themes. The designs shall be selected by the Secretary upon consultation with the United States Commission of Fine Arts.

SEC. 5. REDUCTION OF THE NATIONAL DEBT.

Subsection (a)(1) of section 5132 of title 31, United States Code, is amended by inserting after the third sentence the following: "Any profits received from the sale of uncirculated and proof sets of coins shall be deposited by the Secretary in the general fund of the Treasury and shall be used for the sole purpose of reducing the national debt.".

STATEMENT OF EUGENE H. ESSNER, ACTING DIRECTOR, UNITED STATES MINT BEFORE THE SUBCOMMITTEE ON CONSUMER AFFAIRS AND COINAGE HOUSE BANKING COMMITTEE Wednesday, November 6, 1991

Mr. Chairman and members of the Subcommittee, I thank you for your invitation to present the views of the Treasury Department on two coinage bills: H.R. 2636, a bill to modernize circulating coin designs and H.R. 1245, a bill to provide for the minting of one dollar circulating coins and to eliminate the dollar bill note.

I. COIN REDESIGN

Since 1988, there have been numerous bills that have been introduced in Congress which call for the redesign of U.S. circulating coinage. Legislation has been passed several times by the Senate and one bill was reported out of the House Banking Committee in 1990, when it was appended to a housing bill. Given this continued congressional interest in coin redesign, the Treasury Department appreciates this opportunity to share with you the concerns we have with this legislation.

Since its establishment in 1792, the Mint has successfully fulfilled the Nation's demand for coinage. Our coin designs during this time have embodied the sentiments of our country while, at the same time, underscoring the stability and soundness of the Nation's economic system. The designs on the five circulating coins, except for the Bicentennial issues in 1976, have remained unchanged since the introduction of the Kennedy half-dollar over 25 years ago.

There is no indication, other than some in the coin collecting community, that there is public dissatisfaction with our current coin designs. They are well-accepted, handsome, and timeless designs. The Jefferson nickel design is as appropriate and fitting today as it was when first introduced in 1938. If H.R. 2636 is enacted, the new designs should reflect these same characteristics. It is especially important that ample time be provided to fully consider and create coin designs that will be of lasting quality and which will be as universally accepted as our current designs.

While it is possible, over a six-year span, to implement new coin designs as prescribed in the legislation, the Mint needs at least 15 months from enactment to issue the first coin with the new design. This undertaking is in no way similar to commemorative coin programs where we are able to react quickly to produce a comparatively small number of coins.

Specifically, three months are necessary for the selection of artwork, if Mint personnel or a limited design competition is used. An open competition, which gives us the broadest selection of designs from which to choose, would require an additional 3 months.

After the selection of designs, three months are required to develop the designs from artwork to coin die. The development of dies for a new coin design is a lengthy process. Finding the right combination of relief, crown, and sharpness of detail on these dies is not an exact science. If a trial strike fails, the entire developmental process may have to be repeated until successful.

Six months are then necessary for crucial testing. Upon completion of a successful trial strike, a larger number of dies are tested in a limited production run. If die life is unacceptable or other problems arise which small scale tests did not reveal, further refinement of the design would be required. The object of all this testing is to ensure that the dies are capable of achieving the long life required to produce coins efficiently. It is imperative that proper dies are developed because any inefficiencies will be costly and the Mint is likely to suffer from them for many years.

Lastly, three months of production are needed to mint an adequate inventory of the new coins so that they can be released throughout the Nation at the same time. Introduction of each new design should preferably commence at the beginning of the calendar year -- when designs are normally modified for the new date. A mid-year change is also possible if we have enough time to produce sufficient quantities to avoid creating a numismatic rarity.

The bill requires the first coin redesigned to bear a design commemorating the Bicentennial of the Bill of Rights for a two-year period. If this legislation is enacted, we would propose to introduce the commemorative design on the quarter the first year. The temporary design change will add a numismatic character which will prompt an initial increase in demand, followed by a fairly steady withdrawal of the coin over time. For a long-term design change, the Mint estimates a smaller increase during the first year of introduction, followed by no significant increase in demand for the redesigned coin above normal requirements until 8 years after the change, when the old designs will begin to be pulled from circulation in increasing volume.

Existing coin production capability, together with planned equipment purchases and modifications, if funded by Congress, will allow the Mint to meet normal demand and any increase caused by design changes for the near term. Depending upon coin demand and other factors, the total appropriation increase the Mint has projected it could need ranges from $10 to $12 million, with $3 to $4 million required in the first year. The first year figures include $2 million for a public awareness campaign to alert the public to the new designs.

II. DOLLAR COIN

Turning to the proposed dollar coin legislation, H.R. 1245, the Treasury Department does not endorse either the elimination of the one dollar bill or ths introduction of a one-dollar coin.

In fact, Americans prefer dollar bills over coins. This position is supported by modern day efforts to introduce dollar coins -- the Eisenhower dollar in 1971 and the Susan B. Anthony coin in 1979. Both failed because the preferred and convenient dollar bill was available. Of the 857 million Anthony dollars produced, approximately 404 million remain in Mint and Federal Reserve Bank vaults.

Research confirms the public's preference for the dollar bill. In the 1990 General Accounting Office study which was commissioned by this Subcommittee, interviews and focus groups conducted by GAO found that the American public overwhelmingly opposes abolishing the dollar bill and replacing it with a dollar coin. In addition, a Gallup poll conducted last year showed that 59% of Americans oppose legislation creating a dollar coin. Only

15% favor the elimination of the dollar bill and its replacement with a coin.

The preference for bills over coins has also been experienced by foreign governments. Foreign mints that were surveyed stated that the key ingredient in achieving circulation of a high denomination coin is the elimination of the corresponding paper currency. The element of choice must be removed for a coin to succeed. However, it must be emphasized that the Treasury Department opposes the elimination of the dollar bill. While foreign governments were able to force circulation of coins by eliminating the paper currency and weathering the storms of protest which followed, most of these countries have parliamsntary forms of government which make it easier to sustain an unpopular decision.

If, however, Congress enacts this bill, there are a number of factors which should be considered prior to the issuance of a new dollar coin and elimination of the dollar bill note. With regard to production, the Mint needs at least thirty months from the time of the bill's enactment to the commencement of issuance of a new dollar coin. This is essential based on many of the reasons I discussed with regard to the creation of a new coin design, such as selection of the artwork, die life testing, etc. In addition, the bill calls for a new alloy, therefore research and development to obtain the optimum alloy, coining and color tests on the alloy, wear tests on the alloy, and vending machine capability testing are critical prerequisites.

The bill further requires that six months after the dollar coins are placed in circulation the Federal Reserve will be prohibited from ordering new one-dollar bills or placing one-dollar bills into circulation. Any dollar bill notes that come to a Federal Reserve Bank will be withdrawn. There are approximately 5 billion one dollar bills in circulation. Six months is simply too short of a time period for such a rapid exchange to occur as it would overwhelm Mint production and storage capabilities. While it is unknown whether demand for dollar coins will equal that for dollar bills, and whether there will be a demand for the $2 dollar bill, a sufficient amount of time is still necessary so that an orderly transition can take place.

The requirement in H.R. 1245 that the coin shall be gold in color and be a clad coin having similar metallic anticounterfeiting properties as existing U.S. coins gives us concern. If a one-dollar coin is to be produced, we ask that Congress allow the Treasury Department to choose the specifications of the coin.

The cost of manufacturing will depend on the cost of metal and on the alloy used. However, we estimate that initial costs to introduce one billion coins would require appropriations of approximately $9 - $12 million -- for research costs, equipment, increased production costs, and a public awareness campaign.

Lastly, and most importantly, we turn to the cost savings that may be realized by using dollar coins instead of dollar bills. Proponents claim that the dollar coin would result in annual Government savings of $120 million, while GAO found savings of $318 million annually, computed over a 30-year period, if the coin successfully replaced the dollar bill. The Treasury Department agrees that if the dollar coin successfully circulates, there will be cost savings. But since there are a great many unknowns, such as demand, use of the two dollar bill, and metal costs, predicting cost savings with confidence is difficult.

It is important to note that the GAO analysis indicated an average annual savings of $318 million over thirty years. According to GAO calculations, government cost would actually increase by $80 million during the first year of dollar coin production. Savings would be $13.2 million in the second year and the level of $318 million would not be reached until 13 years after production of the coin began. The bulk of the savings results from seigniorage generated from the production of coins.

It should be noted that the projected savings figures apply strictly to the Government. Certain handling and processing costs now borne by ths Government would be shifted to the private sector -- banks, coin wrappers, and armored carriers -- if the dollar bill is replaced by a coin.

Mr. Chairman, prior to concluding, I would like to express the Administration's support for H.R. 3337, a bill to authorize the minting of up to 500,000 silver dollars to commemorate the two hundredth anniversary of the White House. Surcharges would be paid to the Whits House Endowment Fund to be used as a permanent source of support for the White House collection of fine art and historic furnishings and for the maintenance of the historic public rooms of the White House. The limited mintage in this program and the popularity of the White House as a national symbol, causes us to believe there will be a sell-out of these coins. We view it as a positive addition to the Mint's numismatic program.

This concludes my prepared statement. Again, we appreciate the opportunity to testify on these legislative items. I will be glad to answers any questions that you may have.

DEPARTMENT OF THE TREASURY
UNITED STATES MINT
WASHINGTON, D.C. 20220

DIRECTOR OF THE MINT

December 2, 1991

The Honorable Esteban E. Torres
Chairman, Subcommittee on
Consumer Affairs and Coinage
U.S. House of Representatives
Room 604, O'Neill House Office Building
Washington, D.C. 20515

Dear Mr. Chairman:

This is in response to your request to answer additional questions as follow-up to my testimony before your Subcommittee last month.

1. The Coin Coalition, the trade association advocating the dollar coin, has stated that a new dollar coin should be the same size as the Susan B. Anthony. Was the size of the Susan B. Anthony one of the factors which contributed to its failure? Should any proposal to introduce a new dollar coin have unique dimensions, perhaps something smaller and thicker, like the British pound?

It is our opinion that while color, size, etc., may have contributed to the lack of popularity of the Susan B. Anthony coin, the predominant reason why the coin was not successful is the fact that Americans prefer dollar bills over coins. As long as the dollar bill is in circulation, the dollar coin will not be popular. This position is supported by modern day efforts to introduce dollar coins -- the Eisenhower dollar in 1971 and the Susan B. Anthony coin in 1979. Both failed because the preferred and convenient dollar bill was available. Of the 857 million Anthony dollars produced, approximately 404 million remain in Mint and Federal Reserve Bank vaults.

The preference for bills over coins has also been experienced by foreign governments. Foreign mints that were surveyed by the GAO in its study stated that the key ingredient in achieving circulation of a high denomination coin is the elimination of the corresponding paper currency. The element of choice must be removed for a coin to succeed.

The use of unique dimensions, such as making a new dollar coin thicker or smaller, is a possible alternative. Until we have done thorough testing and evaluation, however, we are not in a position to state an opinion.

2. Would it help the Mint to have legislative authority to conduct polls, research, and/or public relation campaigns before launching a proposal such as H.R. 1245? If not, why not?

Yes, it is very beneficial to conduct polls, research, and public relations campaigns. It would be helpful if the Mint had explicit authority and funding to do such work We should mention that surveys relating to coin programs are generally considered a collection of information subject to the Paperwork Reduction Act (PRA). Under the PRA, an agency may not engage in the collection of information, whether mandatory or voluntary, without prior review and approval by OMB.

The Mint's need for information is different than most of the information gathered by the Government. The Mint needs information for technical business use -- marketing and sales rather than for more general administrative government use. Any research conducted by the Mint is likely to be small in terms of the number of subjects and narrow in focus The impact or inconvenience to America citizens, therefore, would be minimal.

The costs associated with polls, surveys, or public relations for our reimbursable coin programs are charged to the particular program. With regard to similar activities conducted for circulating coins, like the dollar coin, Congress would need to appropriate the necessary funding.

3. I understand that American paper currency is backed by U.S. Treasury bonds held at the Federal Reserve, while no asset insures U.S. circulating coinage. If a proposal such as H.R. 1245 were enacted should it be insured by an asset as is the paper dollar?

Is there a problem with placing billions of dollars into circulation without any insurance?

Coins are not backed by bonds, as are paper currency issued by the Federal Reserve Bank, as coins are a direct issuance of the United States Government. The coins' status as legal tender is the holder's guarantee. There would be no need for "insuring" coins by the issuance of bonds.

If we may be of further assistance, please do not hesitate to contact me.

Sincerely,

Eugene H. Essner

Eugene H. Essner
Acting Director of the Mint

Enclosure

RANDOLPH SHEPPARD VENDORS OF AMERICA

BLIND BUSINESSMEN BUILDING A BETTER AMERICA

STATEMENT OF GEORGE ABBOTT
ONE DOLLAR COIN ACT OF 1991
NOVEMBER 6, 1991

MR. CHAIRMAN AND MEMBERS OF THE SUBCOMMITTEE, THANK YOU FOR THE OPPORTUNITY TO TESTIFY THIS MORNING ON THE ONE DOLLAR COIN ACT OF 1991.

MY NAME IS GEORGE ABBOTT, AND I AM SPEAKING ON BEHALF OF THE 1,000 MEMBERS OF THE RANDOLPH-SHEPPARD VENDORS OF AMERICA -- AN AFFILIATE OF THE AMERICAN COUNC L OF THE BLIND. WE ARE BUSINESSMEN AND WOMEN WHO OPERATE FOOD CONCESSIONS IN GOVERNMENT OFFICE BUILDINGS UNDER THE PROVISIONS OF THE RANDOLPH-SHEPPARD ACT.

I OPERATE A CAFETERIA AT THE NATIONAL INSTITUTES OF HEALTH IN BETHESDA. SOME VENDORS OPERATE SMALL SNACK SHOPS AND STANDS. OTHERS OPERATE VENDING MACHINES. THUS, WE HANDLE CASH IN A VARIETY OF SETTINGS. THE NATURE OF OUR BUSINESS IS HURRY-UP AND CASH-AND-CARRY. SPEED AND CONVENIENCE ARE ESSENTIAL.

MOREOVER, AT THE CASH REGISTER, A COIN IS FASTER TO HANDLE THAN A PAPER BILL. THUS, A COIN HELPS ME TO SERVE MORE CUSTOMERS DURING THE BUSY LUNCH HOUR.

VENDING MACHINES WOULD BE MUCH MORE EFFICIENT WITH THE USE OF A DOLLAR COIN, SINCE BILL ACCEPTORS ARE SLOWER AND FINICKY. AND A $1 COIN WOULD EVENTUALLY ALLOW MACHINES TO MAKE CHANGE FOR A $5 BILL WITHOUT USING A HANDFUL OF QUARTERS.

MORE IMPORTANTLY, BILL ACCEPTORS ARE EXPENSIVE, ADDING SEVERAL HUNDRED DOLLARS TO THE COST OF NEW MACHINES. BUT THE COST OF A FACTORY-INSTALLED DOLLAR COIN MECHANISM WOULD BE CONSIDERABLY CHEAPER. MOST VENDING MACHINE OPERATORS REALIZE THAT THERE WILL BE SOME SHORT-TERM COSTS DURING THE CONVERSION PHASE TO A $1 COIN. HOWEVER, THE VAST MAJORITY OF VENDORS SUPPORT H.R. 1245.

SPEAKING FOR THE VISUALLY IMPAIRED, ALL PAPER MONEY FEELS THE SAME. A $1 COIN WOULD HELP ME TO MORE EASILY COUNT AND VERIFY REVENUE. OUR MEMBERS DID NOT LIKE THE ANTHONY DOLLAR BECAUSE THE RIBBED EDGE WAS IDENTICAL TO THAT OF A QUARTER. FOR THIS REASON, H.R. 1245 CALLS FOR "AN UNREEDED EDGE" AND TACTILE FEATURES ON THE SURFACE THAT AID THE VISUALLY IMPAIRED TO DIFFERENTIATE THE $1 COIN FROM OTHER CIRCULATING COINS."

AS ONE WHO RIDES WASHINGTON'S METRO SYSTEM EVERY DAY, I KNOW ALL TOO WELL THAT THERE ARE FOUR DIFFERENT WAYS TO INSERT A BILL INTO A BILL ACCEPTOR. UNFORTUNATELY, THE MACHINES WILL ONLY ACCEPT THE BILL IF I GUESS CORRECTLY. MANY VISUALLY IMPAIRED PEOPLE -- AND A FEW SIGHTED COMMUTERS, FOR THAT MATTER -- AVOID THAT PROBLEM BY CARRYING LOTS OF QUARTERS.

THE DOLLAR COIN ISSUE IS NOT A HANDICAPPED ISSUE. THE RANDOLPH-SHEPPARD VENDORS SUPPORT A $1 COIN FOR THE SAME REASON AS THE NATIONAL AUTOMATIC MERCHANDISING ASSOCIATION, THE NATIONAL COUNCIL OF CHAIN RESTAURANTS AND THE NATIONAL ASSOCIATION OF CONVENIENCE STORES. DOLLAR COINS ARE FAST AND CONVENIENT. WE URGE YOU TO QUICKLY PASS H.R. 1245, BUT ONLY WITH THE PHASE OUT OF THE $1 BILL. HAVING TO HANDLE BOTH $1 BILLS AND $1 COINS WOULD BE A WORST-CASE SCENARIO.

TESTIMONY OF

THOMAS A. RUBIN, CPA, CMA, CMC, CIA,

CONTROLLER-TREASURER,

SOUTHERN CALIFORNIA RAPID TRANSIT DISTRICT

LOS ANGELES, CALIFORNIA

re

H. R. 1245

SUPPORTING THE DOLLAR COIN

before

THE SUBCOMMITTEE ON CONSUMER AFFAIRS AND COINAGE

OF THE COMMITTEE ON BANKING, FINANCE AND URBAN AFFAIRS

THE UNITED STATE HOUSE OF REPRESENTATIVES

NOVEMBER 6, 1991

INTRODUCTION

Mr. Chairman, members of the subcommittee, I appreciate the opportunity to present testimony on the importance of the dollar coin to the United States Congress on behalf of the urban mass transit industry.

My name is Thomas A. Rubin. I am the Controller-Treasurer of the Southern California Rapid Transit District (SCRTD), the regional transit operator for Los Angeles County, California. SCRTD is the third largest transit operator in the United States, operating over 2,400 buses, 54 light rail vehicles, and soon, America's newest subway system.

THE TRANSIT INDUSTRY STRONGLY SUPPORTS H.R. 1245

The transit operators in the United States strongly support H.R. 1245, the dollar coin legislation. We believe that it will reduce our operating costs, thereby allowing us to add additional service without tax or fare increases, speed up our operations, and eliminate many currently troublesome situations.

THE SITUATION IN LOS ANGELES AND WHY THE SOUTHERN CALIFORNIA RAPID TRANSIT DISTRICT SUPPORTS THE DOLLAR COIN

In my position, I am responsible for the collection and processing of farebox revenues. Our adult cash fare is currently $1.10, so a large percentage of our cash passengers choose to pay their fares by currency, rather than coin. In a typical week, we receive approximately $3,000,000 cash for fares, of which approximately $2,000,000 is in the form of currency, almost all dollar bills, and approximately $1,000,000 is in coins.

COINS ARE FAR EASIER AND FAR LESS EXPENSIVE FOR TRANSIT OPERATORS TO PROCESS THAN CURRENCY

The best way to illustrate the differences between coin fares and currency fares is to follow the fare cycle at SCRTD. In this regard, SCRTD is typical of most transit operators.

HANDLING CURRENCY IS TROUBLESOME FOR BOTH PASSENGERS AND TRANSIT OPERATORS

We start with the initial collection of the fares on a bus. The older generation of fareboxes do not separate currency from coins. As a result, passengers paying with currency have to fold up their bills to get them into the holes in the tops of the fareboxes. This causes several probleme. First, the folded bills take up a lot of space, so thet fareboxes often overflow, causing the bus to be removed from service early or, alternatively, forcing us to allow passengers to ride for free.

Dollars bills, especially folded dollar bills, also have a very unfortunate tendency to jam fareboxes, again causing the removal of buses from service and/or free rides.

The folding of the bills also allows some of our more creative passengers to tear bills in half, fold them so thet the tearing is not visible, and drop in a "half" dollar for a dollar's worth of transit. These "half dollar bastards," as they are know in the industry, generally give us one "half" in the morning and the other "half" on the return trip in the evening (on a different bus). The transit agency then must match up the dollar bill halves to deposit the currency in the bank. This giant jig-saw puzzle can require several people, full time, at large agencies, a very expensive process.

After these folded dollar bills get to the cash counting room, they must be carefully unfolded and straightened. This is a 100% manual process and very expensive. Large transit properties have often had half a dozen or more full-time employees whose sole job was to unfold dollar bills and stack them in packs of 100.

DOLLAR FARES ARE NOT UNIQUE TO THE LARGEST CITIES -- MANY MEDIUM AND SMALLER CITIES HAVE FARES AT $1.00 OR MORE, AND MORE WILL HAVE SOON AS INFLATION ROLLS ON

Transit fares of a dollar or mors are not at all unique to the nation's largest cities. In Eureka, California; Freehold, New Jersey; and Juneau, Alaska, to name only a few, the base transit fare is $1.00. In Fitchburg, Massachusetts; Little Rock, Arkansas; Mobile, Alabama; Columbus, Ohio; Knoxville, Tennessee, El Paso, Texas; and many other medium-sized and smaller cities, express bus fares are $1.00 or more. In total, 132 of the 306, or 43%, of the transit operators in an October 1990 study had a fare for a common trip at $1.00 or more. As for the rest, it is merely a matter of time befors inflation catches up with them.

THE NEW GENERATION OF DOLLAR BILL HANDLING FAREBOXES ARE A GREAT IMPROVEMENT OVER OLDER FAREBOXES, BUT HANDLING CURRENCY IS STILL AN EXPENSIVE, TROUBLESOME PROCESS

Most transit properties that raise their fares past $.80 or $.85 soon find themselves awash in dollar bills. In almost all cases, they soon procure one of the new generation of electronic registering fareboxes that accept dollar bills. These new machines are a fantestic improvement over trying to handle dollar bills in older fareboxes, but they have probleme of their own. First, they generally cost a minimum of $4,500 per farebox -- at least $1,000 more than the must expensive farebox thet does not accept dollar bills -- more than $3,000 more per farebox than a simpler strongbox without a lot of features.

Second, while these machines are far better at handling dollar bills than the older fareboxes, they are far from perfect. It can easily take an average of three seconds more for a currency passenger than a coin passenger to board the bus and pay the fare. This extra time can slow down our buses significantly, which raises our operating costs and makes transit usage less desirable. Older bills can be a resl problem, requiring many attempts before the farebox will accept them, if it will accept them at all. The latter condition results in a lot of free rides for passengers who can't get the farebox to take thair money.

These fareboxes are also susceptible to breakdowns. At SCRTD, we find that the dollar bill mechanism is by far the most troublesome part of these machines, costing hundreds of thousands of dollare annually in extra maintenance costs. In order to clear jams faster and keep our buses in service, we employ roving troubleshooters to respond to farebox troubles on the street.

COINS ARE VERY SIMPLE TO HANDLE FOR BOTH PASSENGERS AND TRANSIT OPERATORS

By contrast, coins are very easy for passengers -- and fareboxes -- to handle. It's simply a matter of putting your coins in the hole on top of the farebox. Handling coins is far lese complex, so there is very little thet can go wrong. Coin only fareboxes are many times less troublesome than currency-handling fareboxee.

DOLLAR BILLS ARE 100% HAND PROCESSED IN THE CASH ROOM, A VERY EXPENSIVE PROCESS

The biggest expense of currency processing only comes into play, however, when the money reaches the cash counting room. I've attached several pictures to illustrate how things ars handled at SCRTD, which is typical of must transit operators.

Currency must be hand sorted, flattened, counted, and banded before it can be deposited in a bank. Some transit operators prepare their own currency for deposit; others, including SCRTD, have contractors perform some or all of this function.

At SCRTD, the paper is dumped on large tables for hand processing. Large bills are identified and put aside and tickets are pulled out and shredded. We them put dollar bills into large plastic bags of $4,000 each, by weight. We then "sell" these begs of bills to our cash counting contractor at a little lese than $.98 on the dollar.

COIN PROCESSING IS ALMOST 100% AUTOMATED, A SIMPLE AND INEXPENSIVE SOLUTION

Coins, on tha other hand, are handled almost entirely by high speed, high volume mechines that do almost all of the work of sorting and counting. The biggest manual tasks are dumping the money in at the front end of the machinery and removing the full bags of coins at the other end. Coins cost SCRTD far less than one tenth as much as currency to process per dollar.

SECURITY OVER COINS IS FAR EASIER TO ACHIEVE THAN CURRENCY SECURITY

Another consideration is security. Back in the days when all fares were paid by coin, we had a very simple way of making it difficult for anyone to walk out with money on them -- we simply installed a metal detector at each entrance. Anyone who tried to slip money through the door would be greeted by a loud warning buzzer. However, no one has yet invented a paper detector, so security over currency is far more difficult than coin security.

COINS HAVE MANY OPERATIONAL ADVANTAGES FOR TRANSIT OPERATORS AND PASSENGERS

A dollar coin is just about the perfect fare media for a transit operator. Boarding is very fast -- a passenger that pays with four quarters boards much faster than a passenger paying with a dollar bill, but a single dollar coin is faster still.

Coins take up lese room than dollar bills. A dollar coin takes up far less space than four quarters. This is an important consideration in transit service, because a full farebox vault means that the bus has to go beck to the garage.

The size and weight savings of a dollar coin over any other coin combination has important considerations for us in design of cash counting rooms and transport of funds -- we now move our money around by forklift.

THE EXPERIENCE OF CANADIAN TRANSIT OPERATORS SHOWS THAT THESE ADVANTAGES ARE REAL, NOT THEORETICAL

All of these reported advantages of dollar coins over dollar bills for the transit industry are not theoretical -- they are very real. My counterparts at Canadian transit operators have reported exactly these types of advantages when Canada converted from dollar bills to dollar coins. The track record is very clear -- dollar coins work.

SCRTD BELIEVES THAT WE CAN SAVE AT LEAST $3.5 MILLION PER YEAR IF DOLLAR COINS REPLACE DOLLAR BILLS -- THIS WILL RESULT IN OVER 4 MILLION ADDITIONAL RIDERS PER YEAR WITHOUT ONE EXTRA CENT OF TAXES OR FARES

Adding it all up, we believe that we can save approximately $3,500,000 per year if the dollar bill is replaced by a dollar coin (Our calculation is shown on Attachment A).

This $3,500,000 is almost exactly 1% of our annual operating subsidies. We can use these extra funds to expand our services by about 1%, adding about 24 buses to our schedule without one extra dollar of additional taxes or fare increases. Given that SCRTD operates the most overcrowded buses of any large transit operator in the United States, these 24 buses will be most welcome -- they will carry about 4,200,000 extra passengers each year. That's a lot of extra transit services that are vitally needed for not one extra cent from either the taxpayers or our transit riders -- not to mention the obvious benefits of congestion relief and cleaner air.

THE DOLLAR COIN WILL CREATE GOOD JOBS IN TRANSIT TO INCREASE SERVICE TO THE PUBLIC

Much of the $3.5 million dollars savings will be in the form of reduced staffing requirements. However, the introduction of dollar coins will not decrease the number of jobs, but will actually result in more, and better, jobs.

Since we will use the $3.5 million savings to provide more transit services, we will also generate an extra $2.5 million in farebox revenues from new passengers. This additional farebox revenue only comes about because we can transfer the monies we now spend to process currency to operating buses. This gives us $6 million to spend on additional transit service.

The total elimination of dollar bills will eventually result in a reduction of about 50 positions. We expect that ten of these will be SCRTD positions, and the elimination will occur over a period of two or more years as dollar bills are phased out. The incumbents, under our rules, will almost certainly not be laid off, but will bid on other positions that will open up due to our normal attrition -- ten employees is not very difficult to blend in to a workforce of almost 9,000.

By adding more service, we will increase our employment by over 60, a net gain in total positions. More important, these are good, long-term jobs, well paid with good benefits and opportunities for advancement -- bus operators, mechanics, service attendants, and first line management positions.

Therefore, the conversion to dollar coins will allow SCRTD to operate more cost-effectively. Not only will we provide more service to our riders, but we will increase both the quantity of jobs and the quality of each new job. Given that 79% of the SCRTD work force is minority, female, or both, this job expansion for SCRTD is an important force in improving the economic prospects of the many communities that we serve.

GEARING UP FOR DOLLAR COINS WILL NOT BE A PROBLEM FOR MOST TRANSIT OPERATORS -- MOST OF US ARE READY TO GO NOW

The majority of the transit operators will need little, if any, new equipment or procedures to handle dollar coins. At SCRTD, our fareboxes, rail ticket vending machines, and cash room equipment all is dollar coin capable now. Until tha exact specifications of a new dollar coin are finalized and field tested, there will be some degree of uncertainty. I am confident, however, that this will be a very minor issue for the vast majority of transit operators and, I suspect, other organizations thet will handle large volumes of dollar coins. The advantages of dollar coins certainly far outweigh any possible one-tima set up costs end procedures.

CONCLUSION -- THE DOLLAR COIN IS GOOD FOR TRANSIT OPERATORS, GOOD FOR TRANSIT PASSENGERS, AND GOOD FOR THE UNITED STATES

In conclusion, the Southern California Rapid Transit District, and the transit industry in general, strongly support the dollar coin legislation because it can cut our costs, allow us to better serve our public without additional taxes or higher fares, and create good new jobs in our community. We urge favorable consideration of this measure by the Subcommittee and Congress.

Attachment A

Calculation of Annual Savings if Dollars Bills Are Eliminated in Favor of Dollar Coins

Elimination of Currency Counting Contractor Fee (two million dollar bills per week at current average fee of $.0228 per dollar bill)		$2,371,000
Elimination of Cash Counting Positions (net savings of 10 positions at an average employment cost, including fringes and general and administrative costs, of $44,500)		445,000
Reduction in Farebox Maintenance Costa		350,000
Annual Amortization of Capital Cost Savings for Purchase of Fareboxes		
Savings Per Farebox by Buying Boxes That Do Not Have to Process Currency	$1,000	
Divided by: Useful Life of Fareboxes	8	
Amortized Savings Per Farebox Per Year	125	
Times: Number of Fareboxes in Fleet	2,400	300,000
Total Estimated Annual Savings		$3,466,000

Introduction: Counting currency and counting coins are very different operations with very different cost structures. Counting currency is extremely labor intensive, slow, and therefore high cost. Counting coins is highly automated, very fast, and inexpensive.

Picture 1: At SCRTD, the first step is to remove the currency and coins from the large master vaults that come in from our twelve bus operating divisions. The paper, including all currency, goes into these high-tech containers -- this garbage can contains the previous day's currency collections from our Division 3 -- about $20,000, in this case (for a Sunday -- twice as much on weekdays).

Picture 2: The paper from the trash cans is then dumped on large tables and sorted by hand. The cash count clerks separate out large bills and tickets. The tickets are shredded, the large bills are put into a separate container, and the dollar bills are put into large plastic bags.

Picture 3: This is a very parsonnel-intensive operation, handling pieces of paper one at a time for hours on end.

Pioture 4: The plastic bags are filled, by weight, until there is $4,000 worth of dollar bills. They are then sealed and tagged.

Picture 5: The filled bags are then put in racks, awaiting pick-up by our currency counting contractor. At the contractor, the bags are weighted, emptied, faced (stacked in even rows with all of the bill fronts facing in the same direction), banded in stacks of 100, and then deposited in the bank.

Picture 6: Counting coins is far easier, faster, largely automated, and much less expensive. The coins are dumped directly from the master vaults into our coin sorting machinery. As you can see, these machines process thousands of coins at the same time, a very cost-effective process.

Picture 7: The coin counting machinery automatically sorts and counts the coins. The only manual parts of the operation (except for clearing jams and repairs) are the dumping of the coins into the hopper at the front end and sealing the full bags at the end of the line.

Picture 8: The bags of coins are then taken directly to the Federal Reserve Bank by armored car.

AUTOMATIC MERCHANDISING COUNCIL OF NEW JERSEY

A State Council of National Automatic Merchandising Association

SAVE THE DOLLAR BILL EXECUTIVE COMMITTEE

Philip Greenhut, Chairman

761 N Stiles St Linden, NJ 07036
Phone 908-925-8160 Fax 908-925-7658

November 4, 1991

We thank the Committee for hearing our testimony.

We speak on behalf of the Automatic Merchandising Council of New Jersey of which I am on the Board of Directors and the Chairman of its Save the Dollar Bill Executive Committee and Eastern Vending Corp of which I am the President.

We are strongly against the elimination of the Dollar Bill due to the lack of research by the National Automatic Merchandising Association(NAMA) and the Coin Coalition into the impact on small, medium and large vending companies. What will it cost our customers and our companies and how will it affect service to our customers.

We have submitted to the Committee copies of the Automatic Merchandiser State of the Industry 1990 published in August 1991. The Automatic Merchandiser is one of the leading vending industry trade publications.

The following facts from this survey are important to this Committee:

I. 1990 Vending Sales

a. Small Operators constitute 62% of the Total Vending Operators with average sales of $254,390.

b. Medium Operators 29% of the Total Vending Operators with average sales of $2,942,324.

These are the vending operators most dependent on the Dollar Bill.

II Vending Machines on Location showed the following for Dollar Bill Validators:

a. Bill Validators 83.4% of the operators have them on location

b. Average bill validator per operator 148(the highest number by far of any piece of equipment listed).

c. Total Bill Validators on location 988,545. (The highest number of any piece of equipment in the survey)

Mainly on small and medium size locations.

The figures for validators are astounding when you consider they were virtually non existent five years ago and have grown to almost 1,000,000 in use in 1990 and over 1,000,000 in 1991. 1,000,000 in five years shows incredible acceptance by the public and the operator in fact the largest in the history of vending.

As a way of comparison the survey showed the following for Dollar Bill Changers:

a. 73.3% of the operators use them.

b. Average Changers per operator is a(SMALL) 31.

c. 202,235 are on location
The Bill Changers are mainly on larger locations.

Our objections to the elimination of the Dollar Bill in a short six months per H.R. 1245 are simple:

1. Absolutely NO RESEARCH into the impact of the elimination of the Dollar Bill on Small, Medium and even large vending companies and especially our customers.

With hundreds of thousands of Dollars having been spent by the Coin Coalition and the the National Automatic Merchandising Council on lobbying amazingly no research into the impact that the elimination of the Dollar Bill on small and medium size locations has been undertaken.

2. Where is the game plan to show what would happen if the new Dollar Coin failed liked the Susan B and the metric system. What is going to happened to our small companies and the public where 60% of our sales on Validator machines are made by Dollar Bills according to a recent survey by the Automatic Merchandising Council of New Jersey.

The reason vending companies keep spending on Dollar Bill Validators is simple: They work and no one believes that the Congress would eliminate the most widely circulated currency in the USA and bring in the Dollar Coin which the public has rejected. Just ask the public.

This is not Canada, England or Japan it is the USA. The Coin Coalition would like you to believe that we are the only country that does not have a Dollar Coin. A little research will show that this is not so and that their are many different monetary systems through out the world. Also many people in Canada are not happy with the change.

I suggest you contact two Monetary Experts who can talk extensively on this subject. Both Gentlemen are with two of the leading Vending Machine Manufacturers which manufacture their own Bill Validators and Bill Changers:

Sandy Murch Senior Vice President Rowe International

Frank A. Novak Senior Vice President Dixie-Narco.

Their information will show you that the supposed saving to the Government by the Coin Coalition is virtually nonexistent in part due to increased printing costs for the the Two and Five Dollar Bill and a greater disappearance of Dollar Coin than estimated. Just compare the coin usage of the nickel, Dime and Quarter to the new Dollar Coin and the lack of savings is apparent.

The big vending companies have Bill Changers but the small companies serve their accounts through low cost Dollar Validators which have been excellent for our customers and excellent for sales with increases of thirty to forty percent in validator machines. If the bill is eliminated the small account will be destroyed. Our Government estimates a down sizing in the work place but the elimination of the Validator will greatly reduce vending service to the downsized workplace.

The Coin Coalition and NAMA have talked about conversions to Two or Five Dollar Bills for Validators and Coin Mechs. We concede that it is probably possible to convert some validators but how do you convert a Coin Mech.

We have a coin Mech here to show you.

This a Mars mech it holds nickel, Dimes and Quarters. When you put in a Dollar Bill in the validator it makes change through this mech. It holds $25.80 in change. 68 Quarters, 98 Dimes, 66 Nickels. It fits very tightly in a vending machine.

It serves more than 100 customers using Dollar Bills without running out of change. If we go to Five Dollar Bills how many customers will it serve. Four or five. We therefore need it to accumulate Dollar Coin and we now need a Nickel Dime and Quarter and Dollar Coin tube. How many Dollar Coin do we need to serve the same 100 customers. Well maybe $100 or $200. One Hundred Dollar Tube would only help 25 out of our original customers. At $200 Dollar tube we could service 50 customers instead of 100. How is this going to work in a few short months. It is impossible to convert and if we do it will cost us $1000 per machine including mech, validater, coin and labor and the equipment is not developed yet. Look at this $200 plus from a security standpoint sitting in a machine. From an operations standpoint.

We are taking an excellent system and replacing it with a boondoggle.

How long will it take the Dollar Coin to float a week a month a year or never and what will happen to our customers and companies while this happens.

There is an answer:

1. Save the Dollar Bill. If you want phase it out over ten years but don't destroy our business.

2. Have those people who want to use the Dollar Coin use the Susan B voluntarily.

3. The Government saves and uses the Susan B and small and medium size vending companies will not lose their superior ability with the Dollar Bill

Many companies are now using the Susan B with great success like Patrick Vending, Goodman Vending Vendrite and various transit systems. These are supporters of the Dollar Coin and they are using the Susan B now.

Elimination of the Bill will destroy our service at small and medium size companies please do not let this happen.

No research into one million validators and the public they are serving will destroy our industry.

This country has enough problems without forcing the public to get rid of the Dollar Bill. Ask the public.

Thank you for the opportunity to speak.

Philip Greenhut

AUTOMATIC MERCHANDISING COUNCIL
OF NEW JERSEY
A State Council of National Automatic Merchandising Association

SAVE THE DOLLAR BILL COMMITTEE

761 N Stiles St Linden, N J 07036
Phone 908-925-8160 Fax 908-925-7655

September 3, 1991

DOLLAR BILL RESEARCH

During the entire Dollar Bill debate the lack of research into any aspect of the question of the impact of the elimination of the Dollar Bill on vending operators and the public has proven to be very disturbing.

In an attempt to start to remedy this situation the following initial research was undertaken.

I OBJECTIVES

The initial objective was to determine what percentage of vending sales in validator machines were being made by coin and by Dollar Bills.

A secondary objective was to obtain information on the use of Validators alone and validators in locations with Dollar Bill Changers for possible future use. Also information on machine type was gathered so it also could be analyzed for possible future use.

II METHOD

The method used was to distribute the attached sample form to the Board of Directors of the AMCNJ and ask them to fill out these forms for their validator machines listing machine type, dollars collected, coin collected and total collected and if their was a bill changer in this location. Some of this information was to be used for future analysis if needed.

We attempted to only ask for information which would not identify the company or its overall sales in the results.

III Response

10 of the 18 Operator Board of Directors of the AMCNJ responded to the survey. This is 56% of the group surveyed.

Nine of the companies responded in the correct format and the tenth gave us an overall percentage of bills used of 80% but no machine information. This tenth company has therefore not been included in the following results.

IV RESULTS

A. All Companies

Number of Machines 1001

Bills Collected $74,179

Coin Collected $51,603

Total Collected $125,782

Percentage of Bills 59%

B. Heavy Bill Changer Useage Companies

Number of Machines 350

Bills Collected $23251

Coins Collected $23689

Total Collected $46940

Percentage of Bills 50%

C. Companies with few Bill Changers

Number of Machines 651

Bills Collected $50928

Coins Collected $27914

Total Collected $78842

Percentage of Bills 65%

D. The average sales for the [illegible] Dollar Bill Validator machines was $125.65. This figure can be compared to your total machines or your non validator machines to determine how much validators increase sales.

V CONCLUSION

From practically zero Dollar Bill usage in 1985 to 59% of all sales in validator machines in 1991 shows the staggering acceptance of Dollar Bill Validators even in companies with Dollar Bi l Changers. If you take out the heavy Dollar Bill Changer Companies you find an overwelming Dollar Bill usage of 65% of sales occurred in Dollar Bills. Our conclusion is that this shows the tremendous public acceptance of the use of bills over the use of coins.

This means that if the Dollar Bill is going to be eliminated without creating total havoc for the vending industry especially in companies with a minimal usage of Dollar Bill Changers then steps must be taken to determine how this change is going to be implemented to create the least trouble for the operator. It is also important to know how long such a change over would take and its possible confusion to the public. A back up plan should also be in place in the case of refusal by the public to use the new Dollar Coin.

The most suprising thing about these figures is that there are no other figures to compare them with in the vending industry because no other research has amazingly been done in the last four years.

These figures clearly indicate that a great deal of in-depth research is needed on all facets of the question of whether to eliminate the Dollar Bill.

We wish to thank the companies that were willing to share their sales information with us it was deeply appreciated.

Philip Greenhut 9/1/91

POINT/ COUNTERPOINT RESULTS

In the May "Point/Counterpoint" on the $1 coin versus the removal of the $1 bill, 60.7 percent of the readers returning Editorial Response Cards agreed with Sanford Murck of Rowe International Whippany, N.J., in keeping the $1 bill. Exactly 39.3 percent sided with John Kelly of Mars Electronics International, West Chester, Pa., in favor of the $1 coin.

To the editor:

We really appreciated your May issue packed with information on the $1 coin.

In regard to your "*Fine Print*" column on the $1 coin, you state, "As for operators who fear the $1 coin and what the elimination of the $1 bill will mean to their investment in validators.

Those of us who are against the elimination of the bill without research are not worried by our investment in validators *but what will happen to the quality of service at small- and medium-sized accounts.* These are accounts where $1-bill or $5-bill changers cannot be supported. In sheer numbers, probably more than a majority of all vending accounts fall in this small category. If the new coin is not fully accepted by the public, our business will be severely effected , with some customers using the new coin, while others will use either $2 or $5 bills. As a result, many of these small accounts may receive poorer service and demand a $2- or $5-bill changer.

In the last four years, very little data has been produced to convince the small-and medium-sized vendor that the elimination of the $1 bill can work. In fact, these vendors should be entitled to a contingency plan just in case public acceptance of the coin fails.

We believe that a large amount of research is needed to support the elimination of the $1 bill. So far, NAMA has not produced any facts supporting the elimination of the bill.

We believe your magazine could provide a great service to readers by coming up with facts.

A few of the facts and questions are as follows:

How many validators are in use? What types of validators are in use, and what's their percentage of market share?

What is the cost of conversion of each type of validator to $2 and or $5 bills or both? What are the labor costs?

What coin mechs accept $1 coin by model and year, by manufacturer?

What coin mechs will accumulate $1 coins? Which will service the same number of customers using $2 or $5 bills as we currently service using $1 bills? What will these accumulating mechs cost?

At what percentage of non-acceptance of the new coin will we be in trouble in small- and medium-sized accounts that will now demand $5 changers?

How long will it take for the new coin to float in sufficient numbers, and what will happen to the business of small- and medium-sized accounts and our customers during this period of indecision? What if it just doesn't float?

What will happen to meager vending profits as defined in the NAMA Operating Report?

What is more efficient for an operator to use—$1 validator or $1 changer—from the stand point of our routepeople, mechanics, counting rooms, and particularly clients?

Do the research necessary to prove whether the $1 bill should be phased out in 18 months like the old bill, or in six months in the new bill. Is a longer period necessary?

Lastly, any vendor who believes in the $1 coin can use one right now. Use the Susan B. Anthony, like Goodman Vending, Vendrite, Patrick Vending and others do.

Leave the $1 bill in place to service small- and medium-sized accounts until appropriate research has been done to determine if its elimination is really appropriate.

Ray Ruppert,
President,

Crystal Coffee Service,
New Jersey
Geraldine Zahn, K & Z Vending
Jim Crilley, BW Stetson
Robert Singer, B & F Industries
Carol Kane, B & C Vending
Ken Davis, Parkway Vending
Sandy Kaplan, Belco Sales
Philip Greenhut,
Eastern Vending
Marty Faber, M & C Vending
Jeff Krause, American Vending
All of the above are on the Board of Directors of the Automatic Merchandising Council of New Jersey.

EASTERN VENDING CORPORATION

761 NO. STILES STREET LINDEN, N. J. 07036
TELEPHONE 925-8180
(AREA CODE 201)

March 25, 1991

Dollar Bill Important Points.

1. Estimated $1000+ to convert machine to take $2.00 or $5.00 bills including validator chip if possible, TO ACCUMULATE DOLLAR COIN new mech or mech upgrade if possible and Dollar Coin needed for machine and labor How much Dollar Coin accumulation to make mech as effective as current mechs?

2. NAMA or Coin Col tion have no research, no data(NONE ON ANY PART OF The QUESTION) as to what this will do to smal and medium vending companies. We dont know if it is more advantagous or a small stop to have Validators or a Bill Changer Which costs more for route service, for equipment and in the money room. How many bi s are you handling a week; s it more cost effective to handle coin and bills and what about cank charges. There are many many other questions which could be researched.

3. The only NAMA membership vote ended at 18 in favor of getting rid of the Dollar Bill and 15 against. However in the NAMA annoucemnt New Jersey and New Hampshire were excluded if these two states were included then the Save the Dollar forces would have had a clear majority. Only by eliminating the votes of NEW JERSEY was NAMA able to procede on this plan to get rid of the Dollar Bill.

4. The size of the new coin will bw the same as the Susan B. One of the big objections by the public to the Susan B was the size of the coin. This wi cause disaster for the vending community. (Read the atest attached on this certain to add to the uncertainty to us)Wi another coin size fit or work Wil Congress shoot us in the foot with a different size coin contrary to NAMA assurances. Such a move may be brewing per the attached.

5. If all members of NAMA and other vendors would use the Susan B in their Dollar Bill Changers the vending community would have a Dollar Coin Today.

6. Look at possible customer confusion and revolt we will be in the front lines and it wil cause us tremendous loses.

7. No provision to use part of big savings to help those companies adversely affected by elimination of the Dollar Bill.

ESTIMATED SAVINGS
DOLLAR COIN VS. DOLLAR BILL

COST OF BILLS

2.5 billion[1] x 2.6¢ x 20 years	=	$1.3 billion

COST OF COINS

3.8 billion[2] x 6¢ x 1 year	=	$228 million
		$53.6 million savings/yr

[1] Number of dollar bills printed each year
[2] Number of dollar bills in circulation

PROBABLE COSTS
DOLLAR COIN VS. DOLLAR BILL

COST OF BILLS

2.5 billion x 2.6¢ x 20 years	=	$1.3 billion

COST OF COINS

7.6 billion x 6¢ x 1	=	$456 million
1 billion[3] x 6¢ x 20	=	$1.2 billion
1 billion[4] x 2.6¢ x 20	=	$520 million
		$43.8 million cost/yr.

[3] Replacement coins
[4] Replacement $2 and $5 bills

EASTERN VENDING CORPORATION

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DOLLAR COIN & ELIMINATION OF

DOLLAR BILL

FOR GAO

PRESENTED TO GAO BY: PHILIP GREENHUT

EASTERN VENDING CORP.

APRIL 3, 1990

EASTERN VENDING CORPORATION

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(AREA CODE 201)

APRIL 2, 1990

COIN QUESTIONS FOR INVESTIGATION BY GAO

I General Questions(Which have been brought to our attention which there should be answers for).

A. How does the size of the Susan B and the new Dollar Coin compare to the quarter?

Problem last time the size was so close the public rejected the coin and this time the size wi l be the same.

B. Where is the research to show that the American Public will accept the new coin and the elimination of the Dollar Bill? Or will it be rejected as the last time.

C. One of arguments is the great saving by using coins instead of Dollar Bills. However we have recently been told that if you take a quarter ts life should be approximately 20 years Over 18.20 Bill on individual quarters have been minted over the last twenty years. We are told this is over 70 for every man woman and child. The question is if coins last for twenty year where are all these quarters in circulation?

D. If 100% of the public accept the Dollar Coin there are probably few problems. But if even a small number of people switch to the Two Dollar Bill and others switch to the Five Dollar Bill small vending companies will be thrown into a state of confusion and massive economic loss. One great danger is that smal accounts which the vending community n their historic Hudson nstitute Report says by the year 2000 are going to become a bigger and bigger part of the market place will start to demand Bill Changers for all their Two and/or Five Dollar Bills we will be out of business. This is the real danger how will the public react especially after their vote against the Susan B. What will be the long term and short term affects of this action to eliminate the Dollar Bill.

II Validators

A. At time of original NAMA probes for the new Dollar Coin their were practically no validators in use.

B. Today their are hundreds of thousands in use and they are widely accepted because of superior customer service.

C. How many are in use?

D. What has been their impact on vending sales.

E. What has been their impact on vending profits?

F. Vending profits before taxes have gone from 1.8% to 4.9%(See NAMA Operating Ratio Report by Price Waterhouse for last several years) n the last several years during this same period Val dators have gone from a few hundred to several hundred thousand in use.

G. If validators have been responsible for the profit increase then what are we doing to the industry by all but eliminating them by elimination of the Dollar Bill.

F. Validators are low cost reasonable tools for excellent customer service and it is for this reason that practically all new vending machines are equiped with them. They have long term as well as short term vending implications.

H. Validators require very small coin banks of Nickles, Dimes and Quarters in their associated Coin Mechanisms($30 approx). In addition these coins are replenished as people buy without dollars. The system works because of the capacity of the coin accumulation and the usage of coins by people. Will this cont nue to work with Dollar Coins? How many Dollar Coins must be accumulated and stored to change the same number of Five Dollar Bills as we now change Dollar Bills with Bill Validators. This is probably the heart of the matter. Yet we have no answers on these critical questions and even more amazing no research.

III Bill Changers

A. Validators are such a sales generator that even many stops with Dollar Bill Changers have machines equipped with Validators. 52% of our sales come from 25% of our machines which all contain Bill Validators.

B. Bill Changers require high Dollar coin banks of five, six or seven hundred dollars or more left on location. They also require one bank in transit of the same amount and one bank of the same amount in the money room causing each Dollar or Five Dollar Changer to have a arge amount of money in circulation.($1500-$2000 or more per changer approx .

C. Any claim that validators cause excessive service calls should be closely examined to see what the differonces are between a Changer and a Validator. The mechanical features of both are very simi ar. People talk about how people have to straighten out bil s for a Validator as a reason to get rid of them. But the same process is used for the Bil Changer. Their are many other subjects that people apply to validators such as maintenace which apply equally to Changers and Validators.

IV Location Parameters

A. Bill Changers are used in larger locations where the vendor is wil ing to buy a much more expensive piece of equipment and to keep large amounts of money in circulation(see above). The vending company must add all change to be used and cannot use his customers money for change because it is always in bills.

B. Validators are used in much smaller locations without the vendor having to buy it for sizeable sums of money and without having to keep money banks in circulation. The money is gathered from one purchaser and given to another. The Bills become just another part of the sale and are handled in the money room as such.

C. A vendor can decide whether to have one or two or more validators depending on the size of the location. He can start with one and add with more later. Validators can increase sales in the machine they are in and also in other machines. The validator is a sales tool on each machine.

V Money room

A. Bills collected from validators are added to the coin count for that machine and therefore cause little extra work in the money room.

B. Bill Changer Money is usually handled separately. Most vending companies collect Changers eve.ytime they add money to the changer. If this is three t mes a week the full bank is replaced and counted three times per week. On a validator if the machine is collected once a week with two services the only time the bills are handled is the day of the one collect and their is no balancing out of changer banks. There is alot of extra cash in transit with Bill Changers and vending company theft exposure. The Validator cash exposure is the same before validators and after except for any increase in sales.

C. Research which NONE has been done will easily show that a validator is easier on the operation than a bill changer and more cost efficient.

VI Many aspects of this whole question have not been reviewed and thier impact on the vending community has not been researched the way such a major step should be by a competent research organization or even by NAMA.

A. Research nto whether it is even feasible for a coin mechanism to be made to accumulate and store a large enough supply of Dol ar Coin to give change of Five Dollar Bills. The only unit which wi l accumulate Dollar Coin supposedly has inadequate storage and still seems to be unavailable for testing in spite of advertising.

B. Will these new coin mechs with large quanity Dollar Coin Accumunlation fit in all machines with validators which have very small spaces for coin mechanisms.

C. What will the mechs and the new validator chips cost the operator. Our figures including labor will be in excess of $1000. We feel that we should have the hardware before we are put in a no win situation by elimination of the Bill. This will cost my small company $200,000 without the cost of the coin in storage.

D. 52% of our sales come from Validator machines which account for 25% of our machine total. 52% of our sales come from 25% of our va idator machines which we can prove to anyone who wants to see the records. Even f our mechanical service were a litt e h gher this relationship would be super productive. Validators have saved our bottom ine and we would have a lot of red nk f we d dnt have them. We need research into this before any changes are made.

VII With the greatly touted savings to the taxpayers a portion of this savings should be put aside to aid the vending community who will be forced nto tremendous expenses if the public does not accept the coin. If the public does accept then no help would be needed. But if we suffer economic hardship that some of us expect then we should receive either tax credits and other aid out of the tax payer savings so that our equipment can be changed and our businesses can survive.

VIII We find it very strange that some of the people calling for a new coin are already using the Susan B with great success. Vending Companies could therefore use the Susan B and keep the Dollar Bill and have the best of both worlds. A push for the use of the Susan B now might find a great deal more acceptance then it did last time.

XI We have attached some information which we have just received which may be of interest to GAO.

X Conclusion

A. We are not against the Dollar Coin but are really against the elimination of the Dollar Bill. Unless it can be shown that the technology is available to modify our machines which can cost over $1000 per machine and that we can be helped in this tremendous cost many of us will continue to be against the elimination of the Dollar Bill. Our customers must be willing to join in the acceptance of the Dollar Coin and the elimination of the Dollar Bill for this to work. If it doesn't work our hard fought gains to improve service to our customers will be lost and many of us will lose our businesses in the decline in sales that will occur.

Our customer service level must be maintained.

EASTERN VENDING CORP

Philip Greenhut
President

EASTERN VENDING CORPORATION

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(AREA CODE 201)

April 2, 1990

VENDING DEFINITIONS FOR THE GAO

I BILL CHANGER, DOLLAR CHANGER

This is a free standing machine that has a coin bank of several hundred of Dollars. It is designed to change money such as One Dol ar Bills, in some cases Two Dollar, Five Dollar or for some app ications even higher denomination Bills into Coin or Tokens Most Bil Changers change bi ls nto quarters dimes or n ckles at no charge to the customer Some wi l even give change in Dollar Coin such as the Susan B or the proposed new coin. It is mainly used in large vending operations.

II COIN MECHANISM, COIN ACCEPTOR, CHANGER, MECHS, COIN CHANGER

These are placed in every vending machine. They accept the coin from our customers. Older ones give no change. Newer ones will enable you to buy a product and receive change. They all count how much money is inserted and determine if a person has inserted enough money to buy a product. The newer ones determine how much change the customer s to receive after the purchase. Older ones have Nickle storage only New mechs that work with Dollar Bi l Validators accumulate and save Nickles, Dimes and Quarters that are either placed n the mech by the vending operator or are accumulated and saved from one buyer to be able to give change to a future buyer They have special tubes for this accumulation These modern mechs will accept Nickles, Dimes and Quarters and wil accumulate them. The Susan B or the new coin will be accepted but cannot be accumulated and therefore the Susan B will not be accumulated in current mechs. This is the major problem of a new Dollar Coin is that mechs now in operation do not accumulate Dollar Coin and therefore cannot change two or Five Dollar Bills.

III VALLIDATOR, BILL VALIDATOR, BILL ACCEPTOR

A. A Validator is a new option which can be placed on any new vending machine and some but not all older machines. A customer may place a bill usually a Dollar Bill into the Validator. The Validator will read the bill, store it and tell a computer that a bill has been accepted. The customer can now purchase a product and the computer will tell the Coin Mech to return change to the customer that it is holding in its coin tubes.(Variations in order do exist but the result is the same). Validators have proven to be highly accepted by our customers and sales increases of over 50% have been reported nationwide by various vending operators. Even a 30% increase would show that a validator is one of the greatest pieces of equipment to ever be developed for the industry and one the customers love.

IV MONEY ROOM

A room in which money is counted at a vending company. Modern coin counter machines will count mixed coin collections from machines and sort them into bags of nicklee, dimes, quarters, halves(if any), dollar coin (if any) in order to get the money ready to go to a bank. A new machine also in use is used to count Bills which must be presorted by hand into separate denominations if any before the bill counter can give an accurate count.

EASTERN VENDING CORP

Philip Greenhut
President

Dixie-Narco

34000 Vokes Drive
Eastlake, Ohio 44095

(216) 946-3000

MAR 19 1990

March 12, 1990

Mr. Philip Greenhut
Eastern Vending Corp.
761 North Stiles St.
Linden, New Jersey 07036

Dear Phil,

It was very interesting to hear your views on the proposed $1.00 coin and elimination of our country's $1.00 bill.

Please look over the enclosed information and collection of facts.

Certainly some of the claims being made by members of The Coin Coalition are not fully supported by the facts.

The statement that the $1.00 bill would have to be removed from circulation in order to make the $1.00 coin successful strongly suggests that the American public DOES NOT need nor want a $1.00 coin.

I am open to any suggestions you may wish to contribute regarding the publication of these facts.

Best regards,

Frank A. Novak

Frank A. Novak
Sr. Vice President

FAN:n

enc.

Ardac Eastlake, Ohio   Ranson, West Virginia   Williston, South Carolina

IMPORTANT FACTS RELEVANT TO PENDING ONE DOLLAR COIN LEGISLATION

The following facts and points of view are offered to help our Congress not make another serious error in order to please a few special interest groups.

- The Susan B. Anthony dollar coin cost our government 30 million dollars several years ago. Therefore, Congress should consider cautiously any proposed change to our coinage that could result in another serious error. Coins are not popular with the American public, and we may have to throw away the 900 billion Susan B. Anthony coins.

- Supporters of the Dollar Coin legislation belong to the special interest groups who stand to benefit from the proposed $1.00 coin, such as mining states and manufacturers of coin acceptors.

- Mars Electronics, a manufacturer of coin acceptors, has made a study that concluded the average American carries only 52 cents in change. The annual cost to our Government to keep 52 cents in our pockets is $124,000,000.

- In the past, operators of vending machines struggled to make a living because vending machines only took coins. Isn't it ironic that Dollar Bill Acceptors have made vending machines more profitable and more convenient for the public, and there are people who want us to obsolete the dollar bill, going back to coin operation only.

- If we eliminate the dollar bill, it should be done at a time when the five dollar bill has become the most popular bill for making purchases, not when the most popular bill is the one dollar bill.

- The circulation lifetime of a coin is substantially less than the twenty years $1.00 coin supporters lead everyone to believe. Assuming that the life of a quarter is 20 years, then the 18.25 billion quarters minted over the last 20 years should still be in circulation. This is over 70 quarters for every man, woman and child in the United States. Where are they?

- Coins cost more to transport.
  Coins take up more space.
  Coins must be carried in bags.
  Coins are difficult to count.
  Coins become lost.
  Coins fall to the bottom of purses.
  Coins are put in jars.
  Coins are saved in piggybanks.
  Coins are not useful for purchasing.
  Coins are used mostly for change.
  Coins wear holes in pockets.
  Coins are expensive to produce.
  Coins are expensive to use.

The accompanying data summarize 1986 production of U.S. coins and bills by the U.S. Mint and The Bureau of Engraving and Printing.

The data points to the following conclusions which do not support the pending Dollar Coin legislation.

- o In 1986, there were nearly twice as many coins produced as bills, which is surprising in view of claims that coins have a 20-year life.

- o The face value of all coins produced in 1986 represents only .7 percent (7/10 of one percent) of the money produced, yet accounted for 43 percent of the total cost of money production.

- o The average cost of coin production per $1,000 of face value is $235.74.

  The average cost of bill production per $1,000 of face value is $2.31.

  These costs reflect that bills are 102 times more efficient than coins as a monetary instrument.

DOMESTIC U.S. BILLS PRODUCED BY CALENDAR YEAR

YEAR	1 DOLLAR	5 DOLLAR	10 DOLLAR	20 DOLLAR	50 DOLLAR	100 DOLLAR	TOTAL
1969*	1,192,480,000	308,880,000	278,920,000	171,400,000	10,496,000	13,888,000	1,976,064,000
1970	1,318,080,000	492,960,000	404,160,000	259,200,000	18,432,000	16,896,000	2,509,728,000
1971	1,550,080,000	427,200,000	466,400,000	405,600,000	25,600,000	24,064,000	2,898,944,000
1972	1,717,600,000	442,240,000	496,480,000	391,200,000	31,232,000	28,160,000	3,106,912,000
1973	1,772,640,000	464,640,000	460,800,000	402,560,000	19,456,000	27,136,000	3,147,232,000
1974	1,725,760,000	315,840,000	343,200,000	297,280,000	17,920,000	25,600,000	2,725,600,000
1975	1,665,400,000	338,560,000	321,760,000	402,080,000	43,520,000	52,480,000	2,823,800,000
1976	1,371,680,000	268,640,000	259,840,000	380,160,000	26,880,000	36,480,000	2,343,680,000
1977	2,095,680,000	499,040,000	431,680,000	468,320,000	40,960,000	62,720,000	3,598,400,000
1978	1,862,400,000	451,200,000	380,800,000	476,160,000	48,640,000	69,120,000	3,288,320,000
1979	1,979,520,000	559,360,000	497,520,000	662,400,000	55,680,000	93,440,000	3,847,920,000
1980	1,939,840,000	427,520,000	495,360,000	634,880,000	56,960,000	100,480,000	3,655,040,000
1981	1,954,560,000	519,680,000	536,320,000	812,800,000	67,200,000	118,400,000	4,008,960,000
1982	2,040,320,000	614,400,000	540,160,000	683,520,000	94,820,000	108,800,000	4,082,020,000
1983	2,229,760,000	583,680,000	592,640,000	994,560,000	115,200,000	85,760,000	4,601,600,000
1984	2,771,200,000	716,800,000	812,800,000	1,292,800,000	128,000,000	137,600,000	5,859,200,000
1985	2,851,200,000	777,600,000	784,000,000	1,449,600,000	137,600,000	160,000,000	6,160,000,000
1986	3,123,200,000	844,800,000	768,000,000	1,475,200,000	182,400,000	176,000,000	6,569,600,000
1987	3,232,000,000	780,800,000	697,600,000	1,472,000,000	195,200,000	217,600,000	6,595,200,000
1988	2,995,200,000	780,800,000	627,200,000	1,244,800,000	172,800,000	192,000,000	6,012,800,000
	40,196,120,000	10,305,760,000	9,916,720,000	14,205,120,000	1,478,500,000	1,732,736,000	77,834,956,000

* 1969 data is unavailable
1967 data is substituted

FISCAL YEAR 1986
DEPARTMENT OF THE TREASURY
PRODUCTION

U.S. MINT

COINS ($)	ANNUAL NUMBER PRODUCED (#)	COST PER $1,000 FACE VALUE ($)	ANNUAL FACE VALUE ($)	ANNUAL FACE VALUE (%)	UNIT COST ($)	ANNUAL COST ($)	ANNUAL COST (%)
0.01	8,934,262,191	659.00	89,342,622	0.1	0.0066	58,876,788	20.4
0.05	898,702,633	448.00	44,935,132	0.1	0.0224	20,130,939	7.0
0.10	1,155,976,667	128.00	115,597,667	0.2	0.0128	14,796,501	5.1
0.25	1,055,497,993	110.00	263,874,498	0.4	0.0275	29,026,195	10.1
0.50	28,473,778	115.00	14,236,889	.0	0.0575	1,637,242	0.6
	12,072,913,262	235.74 (average)	527,986,808	0.7		124,467,665	43.1

BUREAU OF ENGRAVING AND PRINTING

BILLS ($)	ANNUAL NUMBER PRODUCED (#)	COST PER $1,000 FACE VALUE ($)	ANNUAL FACE VALUE ($)	ANNUAL FACE VALUE (%)	UNIT COST ($)	ANNUAL COST ($)	ANNUAL COST (%)
1.00	3,123,200,000	25.00	3,123,200,000	4.4	0.0250	78,080,000	27.0
5.00	844,800,000	5.00	4,224,000,000	5.9	0.0250	21,120,000	7.3
10.00	768,000,000	2.50	7,680,000,000	10.7	0.0250	19,200,000	6.7
20.00	1,475,200,000	1.25	29,504,000,000	41.1	0.0250	36,880,000	12.8
50.00	182,400,000	0.50	9,120,000,000	12.7	0.0250	4,560,000	1.6
100.00	176,000,000	0.25	17,600,000,000	24.5	0.0250	4,400,000	1.5
	6,569,600,000	2.31 (average)	71,251,200,000	99.3		164,240,000	56.9
GRAND TOTAL			71,779,186,808	100.0		288,707,665	100.0

DOLLAR COIN LEGISLATION	COMMENTS
• Legislation has been introduced to authorize minting of another new one dollar coin.	• In 1979 and 1980, the Government minted 847,000,000 Susan B. Anthony coins at the cost of approximately $30,000,000. These coins were rejected by merchants and the public and are currently in storage.
• The most significant reason offered by supporters of the new dollar coin legislation is the hypothetical savings to the Government and consumers if the dollar bill were to be replaced by the dollar coin.	• The proposed legislation does not call for the elimination of the dollar bill, but merely urges "my colleagues on the Banking Committee to hold a hearing on the issue to establish for the record the pros and cons of phasing out the dollar bill".
• The estimated annual savings of $117,000,000 is claimed to result from eliminating dollar bills which cost $75,000,000 for printing; $39,000,000 for transportation; and $3,000,000 for destruction of old bills.	• The annual savings from eliminating dollar bills could not be realized because of the higher offsetting costs of producing dollar coins and five dollar bills.
• Supporters of dollar coin legislation use the argument that coins have a 20-year life whereas dollar bills have a shorter life and must be replaced every 1 1/2 years.	• The 20-year life of a coin does not insure that it will remain in effective circulation for 20 years. Coins actually have a much shorter effective lifetime because of their limited purchasing power and unpopularity with the general public. Coins are more difficult to carry and more easily lost. They are placed in glass jars and piggybanks and used primarily for making change, not for making purchases.
• The legislation directs the study of the advisability of phasing out the penny and half dollar coins and of rounding final cash sales to the nearest 5 cents.	• Changes to our coinage system may be advisable. However, these issues are very complex and should be studied completely prior to introducing legislation which would add another costly monetary component and unnecessary expense.
• Supporters of dollar coin charge that dollar bills must be replaced every 1 1/2 years, and infer that they are obsolete due to inflation.	• Dollar bills have become the most popular currency in the world. They are used to conduct everyday transactions. It would be unwise and harmful to our economy to eliminate the most popular monetary instrument.
• Consumers will benefit from reduced vending machine costs by eliminating dollar bill changers which cost $2,400.	• Bill changers provide real convenience to customers. They provide change for $1, $5, $10 and even $20 bills. They will continue to be widely used with or without dollar coins.
• Vending machines will not have to be retrofitted with dollar bill acceptors which cost $400.	• Most vending machines are not equipped to accept one dollar coins, and the cost to retrofit them to accept dollar coins ranges from $200 to $400 each as well.

DOMESTIC U.S. COINS PRODUCED BY CALENDAR YEAR (PIECES)

YEAR	CENTS	NICKELS	DIMES	QUARTERS	HALVES	DOLLARS	TOTAL
1969	5,684,117,200	322,971,500	709,113,870	290,584,000	129,881,800	0	7,136,668,370
1970	5,480,313,904	754,317,384	1,100,512,100	553,761,364	2,150,000	0	7,891,054,752
1971	5,355,665,654	423,028,800	540,604,240	367,918,428	457,261,424	116,386,424	7,260,864,970
1972	5,978,526,504	553,730,600	761,830,000	526,115,732	295,070,000	168,438,511	8,283,711,347
1973	7,597,759,222	645,801,400	770,702,426	579,901,400	148,135,400	4,000,056	9,746,299,904
1974	8,879,277,751	879,125,000	1,041,331,000	584,669,000	191,231,000	62,832,000	11,638,465,751
1975	9,956,751,442	583,647,300	899,379,200	1,386,515,300	467,945,300	171,731,710	13,465,970,252
1976	8,895,884,881	931,088,147	1,263,982,774	853,334,855	143,359,248	58,884,564	12,146,534,469
1977	8,618,992,300	882,689,472	1,173,537,228	725,080,978	75,047,106	45,579,006	11,520,926,090
1978	9,838,838,400	704,400,780	946,827,540	808,825,152	28,115,799	58,714,890	12,385,722,561
1979	10,157,872,254	789,055,672	706,361,184	1,005,497,780	84,127,422	757,813,744	13,500,728,056
1980	12,554,803,660	1,095,327,448	1,454,524,321	1,154,159,487	77,590,449	89,660,708	16,426,066,073
1981	12,864,985,677	1,022,305,843	1,388,934,143	1,177,438,833	57,383,533	9,742,000	16,520,790,029
1982	16,725,504,3[illegible]	666,081,544	1,062,188,584	980,973,788	23,95[illegible],102	0	19,458,707,386
1983	14,219,554,428	1,098,341,276	1,377,154,224	1,291,341,446	66,611,244	0	18,053,002,618
1984	13,720,317,906	1,264,444,146	1,561,472,976	1,223,028,064	52,291,158	0	17,821,554,250
1985	10,935,889,813	1,106,862,408	1,293,180,932	1,295,781,850	38,520,996	0	14,670,235,999
1986	8,934,262,191	898,702,633	1,155,976,667	1,055,497,993	28,473,778	0	12,072,913,262
1987	9,561,856,445	782,090,085	1,415,912,883	1,238,094,177	99,481	0	12,998,053,071
1988	11,346,550,443	1,435,131,652	1,992,935,488	1,158,862,687	25,626,096	0	15,959,106,366
	197,307,724,443	16,839,143,090	22,616,461,780	18,257,382,314	2,392,880,336	1,543,783,613	258,957,375,576

POINT

BILL BUCKHOLZ, GOODMAN VENDING INC., READING, PA.

Our future depends on $1 coin

Abraham Lincoln once told a story about a Mississippi River steamboat with a 3-foot boiler and a 6-foot whistle. Every time the whistle blew, the engine stopped.

This story pretty much sums up my opinion of a small minority of people in the vending industry who oppose the minting of a new $1 coin.

One of the anti-coiners is a friend of mine. He purchases my old electro-mechanical coin mechanisms by the cup box full for $10 a piece and uses them on his machines. They won't accept $1 coins—therefore, he is avidly opposed to the $1 coin legislation.

Come now, my friend! Do not expect the rest of us in this great industry to stagnate because you refuse to spend a few bucks to upgrade your equipment.

Now is the time to shed our addiction to apathy, get off our duffs, and invest a few hours in our industry by visiting our congressmen in person, eyeball to eyeball. It's easy. It's rewarding. You can help make history by participating in this great crusade to change American coinage.

In addition to the anti-coin minority, there is some apathy in the vending industry. Some say that validators are wonderful and that bill changers are good.

So why change? For now you may be right, but what about the future? As our prices increase, how on earth will operators give change for larger bills?

Thirty years ago, if I asked you to change our quarters into paper, you'd say I was crazy. Now we have paper quarters.

If you asked me a year ago how I felt about validators, I'd say they were nearly perfect. Now I'm beginning to have a disturbing amount of problems.

If you think validators are a perfect solution, try spending a few lunches each week at your vending accounts. You'll see exactly what I mean. Customers will be rolling bills over the edges of machines in an attempt to flatten them. Other customers will stand in line straightening out the dog-ear bills. Many bills will be rejected.

Customers will be frustrated, but will not complain. They're used to it. Isn't that embarassing? We have created barriers between our customers and our machines. Then we have the nerve to call ourselves great merchandisers.

How will validators work five years from now? Are we sitting on a validator time bomb? Something is ticking out there.

On the other hand, a $1 coin works perfectly. I dispense 14,000 each week and get back about 10,000 in my machines. I have never, ever had a $1-coin coin jam.

The anti-coiners are fearing (now get this) that if the $1 bill is removed and the public doesn't accept the $1 coin, our businesses will be ruined. This statement defies common sense. That people would ignore the $1 coin and use quarters and $5 bills only is pure folly.

Look at Canada, where the coin is now an overwhelming success and the bill has been removed. What's more we're told that if Canada was to do it again, they would phase out their $1 bill much quicker.

The anti-coiners attempt to use the fear tactic by saying that although validators are alright, it's too expensive to change machines to accommodate $1 coins. They have dropped this argument lately when they realized that even the smallest operator has enough common sense to know they must have an electronic coin mech (already with $1 coin capability) to mate with their validator.

The Susan B. Anthony $1 coin was not successful because of its similarity to the quarter and because $1 bills were allowed to continue being printed.

Let's take a look at it another way. Ten years ago the Congress of the United States, representing 200 million people, decided we needed a $1 coin. It was faulty in design. Now, after 10 more years of inflation, the need for a $1 coin is even more compelling. To reject it now would further compound the mistake made 10 years ago.

I am appealing to everyone to see their congressman now. Years from now when you talk to your grandchildren, you can tell them one of two things.

You can tell them that you played an important part in the $1 coin they nonchalantly carry in their pocket, or you can tell them that late in the 1980s it was important and fashionable to be addicted to apathy.

I suggest you should be a partner in this great crusade to change American coinage. Commit now. Call a friend (or an enemy) and write your congressman. Together we can all play an important part in this great crusade to create American coinage history. AAM

COUNTERPOINT

PHILIP GREENHUT, EASTERN VENDING CORP., LINDEN, N.J.

More at stake with new $1 coin

Upfront, I am not against the $1 coin, but I feel that not enough research has gone into the impact of eliminating the $1 bill over a short 18-month period.

The National Automatic Merchandising Association should know how many bill validators are in use, what their sales are and what their contribution is to profits. Only then can a decision be made to eliminate the $1 bill.

The NAMA Operating Ratio Report showed slim profits before taxes of 4.9 percent in 1988. This is up from 1.8 percent a few short years ago—more than double, but certainly not healthy, according to industry leaders.

A good case can be made that over the last several years this increase in profits has been achieved by the widespread use of bill acceptors. If this is the case, we may be destroying our slim profits and seeing an industry running at a loss if the $1 bill is eliminated. It would seem the time has come to get the answers to these questions.

We are not against the $1 coin. We have found a way to provide superior service to small- and medium-size accounts with bill acceptors. If the $1 bill is eliminated, bill acceptor use will be restricted severely. The validator has given vendors the single best way to add sales to these accounts.

We have seen no evidence the public will accept a new coin. Ask any 10 people on the street and see what kind of reaction they have on this subject.

What happens to our fragile profits if confusion reigns, with only a few people using the coin and some using $2 bills and others using $5 bills? What happens in these small- and medium-size accounts if this happens? What will happen to our profits, and equally to our customer service.

We concede that validators can take at least an additional bill at one time. But which bill will the public use? How will we know what to convert our dollar bill acceptors to—$2 or $5 bills? Or maybe we should not convert them and see if the public uses the coin. This is a major change to be made in only 18 months. How much business will be lost from the highly popular dollar bill acceptors that stand useless? Will we be forced to go back to the same service that existed before the dollar bill acceptor because the public is not supporting the $1 coin.

More importantly, what kind of coin acceptor will be available to make change for $2 and $5 bills. The only acceptor that accommodates a dollar coin (shown at the NAMA convention in October) would only change a mere 10 $5 bills before it runs out of dollar coins, which is not enough even for the slowest location.

We should also realize the tremendous increase in costs for new validator chips, new coin acceptors and additional money for the new $1 coin tube (a minimum of $40 and probably $200 in $1 coins extra per machine) and labor to make the conversions. We have seen estimates, including labor, over $1,000 per machine.

The question really comes down to this: What the public will do with a new $1 coin? What percentage will use the new $1 coin, the much-avoided $2 bill, and the $5 bill? If even a small percentage refuse to use the new $1 coin, it will have a significant negative impact on the profits of the vending industry and the superior customer service we are performing with the use of dollar bill acceptors.

If the Coin Coalition's plan throws the public into confusion, who will bail out the small- and medium-size vending operations. These operations are already seeing their 4-Cs declining to 2-Cs (with the continued decline of cigarettes and coffee). Along with the demise of the dollar bill acceptor, the results will prove disastrous to these segments of the industry.

Bill, don't you think it is far cheaper for vendors to use the Susan B. Anthony $1 coin on a voluntary basis, like you're doing? This will save the costs of a new $1 coin and enable the vendors who want to use a $1 coin to use it now. Doing this would also put us in a position to save the dollar bill until such time as a new $1 coin can be introduced without adversely affecting small- and medium-size accounts and small- and medium-size vending companies. AAM

Philip Greenhut's position was written in conjunction with Harry Mowry of Jack & Jill Ice Cream, Philadelphia, and Carl Zahn of K & Z Vending, South River, N.J., vending operators who share concern over the elimination of the $1 bill.—The editors.

LETTERS

To foster dialog within the industry, American Automatic Merchandiser *welcomes letters to the editor on topics of general interest to our readers.*

To be considered for publication, letters must be signed, although names may be withheld on request. Letters may be edited for reasons of space.

Please send your letters to: Editor, American Automatic Merchandiser, *c/o Edgell Communications, 7500 Old Oak Blvd., Cleveland, OH 44130.—The editors.*

$1 bill vs. $1 coin: Who is short-sighted?

To the editor:

We received the November issue of *American Automatic Merchandiser* and to say the least were very disturbed by your "Reflections" editorial pertaining to the dollar bill and the dollar coin.

Your editorial says the save-the-bill people are short-sighted. We look at the subject a little differently.

First, it is a question of providing optimum service to our small- and medium-size accounts, where dollar bill changers are not financially feasible. First and foremost, it is a question of providing excellence of service to these locations through the use of the dollar bill validator.

We believe that a good game plan in business is good business and not short-sighted. Unfortunately, we see no well-researched game plan for the introduction of the dollar coin.

In an industry that has gone from 2.8 percent to 3.2 percent to over 4 percent net profits before taxes in the last several years, a good game plan should call for the protection of these fragile profits. In fact, some of these increasing profits cover a period of increasing use of the dollar bill validator and may be in part attributed to use of the dollar bill validator. These fragile profit gains may be lost if a fair number of the American public refuse to use the $1 coin in a meaningful way and instead use $2 and $5 bills. So far, extensive research has not been done on what the public will do.

We think it is prudent in advance to have a game plan to cover these contingencies so the small- and medium-size vendor will not be caught in the middle of massive confusion which could last for a great period of time.

Without such a game plan, including hardware modifications to coin mechs so they can accumulate and pay out dollar coins like they do quarters, and modifications to the dollar bill acceptors for $2 and or (who knows) $5 bills, the industry will be in deep trouble with regard to its net profits.

Our service records show a very low percentage of service calls for the dollar bill validators and definitely well below the service record of our dollar bill changers. In fact, one of the reasons we have been putting them in is the excellent performance record.

Our customers vote every day through their increasing use of the dollar bill validator. Check the almost-empty coin boxes and the full bill stackers and you get an excellent indication of its overwhelming use in account after account of all types.

Research should be done in advance, rather than after the fact when it is too late. We certainly have enough locations coast to coast to have the research properly done so the outcome will not be as disastrous as the Susan B. Anthony $1 coin.

Lastly, this is not Canada, England or Australia—it is the good old United States of America. The fact that the Susan B. failed was the designers' fault, not the public's fault. If the new coin is good, then it will be accepted and will gradually replace the dollar bill and it will not have to be forced on the public.

So far, no one has been able to show what is going to happen to the industry if some of the other alternatives, such as $2 or $5 bills, become commonplace rather than the new coin. Will people really like carrying more coins? What will happen to our vending situation? Maybe the $1 bill would be reintroduced! Without some hard research, the industry could be put into a no-win situation.

We don't think that having a workable game plan to cover various contingencies is being short-sighted.

Philip Greenhut
President
Eastern Vending Corp.
Linden, N.J.

Editor's note: Yes, a game plan is necessary. It should address the concerns raised by Phil Greenhut—but a workable $1 coin can help win the game.

Dollar bill validators clearly are an excellent short-term solution, but won't work so well after inflation has pushed most vend prices above $1. Already, "self-feeding" coin tubes are nearly empty by the time bill stackers are full, and the tubes will be depleted even faster when patrons insert two $1 bills for a $1.05 or $1.10 vend. On the matter of service calls, the question is not whether a validator is more reliable than a free-standing changer, but whether a coin mech that accepts a $1 coin is more reliable than either a bill changer or a validator.

The vending industry can move faster than the government, and it will be years before the $1 bill is replaced by a coin. Operators and manufacturers should research what hardware modifications will be necessary—but should also begin the long process of lobbying for a $1 coin.

'Mobilize the industry' to support $1 coin

To the editor:

Your editorial on the $1 coin in the November issue not only makes good sense but will probably be of considerable help as we try to mobilize the vending industry toward backing the effort in Congress when things start moving in the next few months.

Excellent work.

Walter W. Reed
Director of Public Relations
National Automatic
Merchandising Association
Chicago, Ill.

October 15, 1987

Eastern Vending Customer Questionnaire

			Yes	No	No Reply	Total
15	4	In Favor of Reintroduction of Dollar Coin				
		Number	9	21	4	34
		Percentage	26%	62%	12%	100%
15	B	In Favor of Keeping the $ Bill	31	2	4	37
		Percentage	84%	5%	11%	100%

LFORM.E3404

EASTERN VENDING QUESTIONNAIRE 1987

PLEASE PRINT OR TYPE

1. COMPANY NAME? Sun Chemical Corporation / DIC

2. REPRESENTATIVES NAME? Terry Paul

3. TITLE? Personnel

4. STREET ADDRESS? 441 Tompkins Ave. Staten Island, N.Y. 10305

5. CITY, ZIP? as above

6. WOULD YOU LIKE US TO PROVIDE YOUR FACILITY WITH A REFUND BANK FOR PROMPT REFUNDS? YES? X NO?_ WHO SHOULD RECEIVE THIS NAME? T. Paul DEPARTMENT? Personnel

7. IF YOU ALREADY HAVE A REFUND BANK WHO HANDLES IT. NAME?__________ DEPARTMENT?_________.

8. WOULD YOU LIKE US TO PROVIDE YOUR FACILITY WITH A CHANGE BANK? YES?_ NO?_ WHO SHOULD RECEIVE THIS NAME?________ DEPARTMENT?__________

9. IF YOU ALREADY HAVE A CHANGE BANK WHO HANDLES IT. NAME?__________ DEPARTMENT?_______.

10. PLEASE RATE OUR PRODUCT QUALITY. EXCELLENT?_ GOOD? X FAIR?_ POOR?_ DO NOT KNOW?_

11. PLEASE RATE OUR ROUTE SERVICE. EXCELLENT?_ GOOD? X FAIR?_ POOR?_ DO NOT KNOW?_

12. PLEASE RATE US ON KEEPING OUR MACHINES FROM RUNNING EMPTY. EXCELLENT(FULL 95% OF THE TIME)____ GOOD(FULL 80% TO 95% OF THE TIME) X FAIR(FULL 70%-80% OF THE TIME)____ POOR(LESS THAN 70% OF THE TIME)____ DO NOT KNOW?_____

13. PLEASE RATE OUR MECHANICAL SERVICE. EXCELLENT?_ GOOD? X FAIR?_ POOR?_ DO NOT KNOW?_

14. PLEASE CHECK HERE IF YOU DESIRE AN EARLY MEETING.______

14. PLEASE LIST ANY SUGGESTIONS YOU HAVE FOR OUR IMPROVING SERVICE IN ANY AREA TO YOUR EMPLOYEES.

15. One issue that is emerging is a push for the reintroduction of the Susan B Anthony Dollar Coin and the FORCED elimination of the dollar bill. YES THE ELIMINATION OF THE DOLLAR BILL BY 1990. We would appreciate your vote on this matter.

A. I FAVOR REINTRODUCTION OF THE DOLLAR COIN. YES?____ NO? X

B. I FAVOR THE KEEPING OF THE DOLLAR BILL. YES? X NO?____

THANK YOU FOR YOUR HELP FROM ALL OF US HERE AT EASTERN VENDING

AMERICAN
Automatic MERCHANDISER

MERCHANDISE VENDING • FOODSERVICE • COFFEE SERVICE

STATE OF THE INDUSTRY 1990 SUPPLEMENT

STATE OF THE INDUSTRY REPORT

VSA

STATE OF THE INDUSTRY REPORT

MARK L. DLUGOSS, EDITOR

Recession slows growth in vending to 1.9 percent

Total sales volume for the industry rises to over $21.9 billion in 1990, *Automatic Merchandiser*'s annual survey

The recession that got a firm grip on the U.S. economy in 1990 spared few industries, including the vending industry. Yet, while other industries reported losses, vending operators were lucky enough to squeeze a marginal increase.

According to *Automatic Merchandiser*'s 13th Annual State of the Industry Report, total sales for vending represented over $21.9 billion, an increase of 1.9 percent over 1989. Sales in 1989 totaled $21.5 billion.

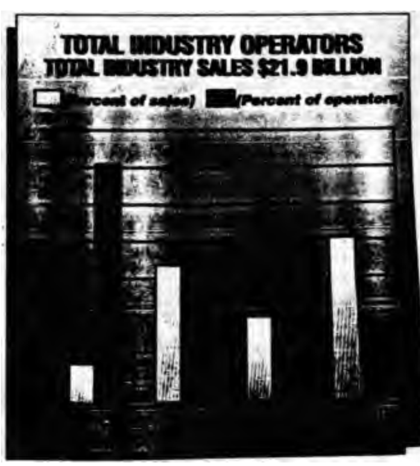
With many industries last year reporting a lackluster year in sales/revenues, and in some cases low or no profitability, vending operators fell victim to the economic downturn. Many of these industries were clients, especially the industrial and manufacturing firms. As declining sales and profits were reported, many vending accounts were forced to trim employment roles, which ultimately hurt revenues in the vending industry.

Survey info

Automatic Merchandiser's State of the Industry Report is a sample survey based on the number of surveys returned and personal interviews with industry officials. It is through the combination of the two that certain assumptions were made to weight the data appropriately. Therefore, the results are opinions centered on the information gathered from the respondents — *Automatic Merchandiser*'s best estimate of the State of the Industry.

The survey form was published in the April issue, and mailed to the national and some large independent companies across the United States. *Automatic Merchandiser* received responses from over 500 operations.

This year's sample survey was compiled by Summit Marketing, Hudson, Ohio, which has the expertise in the foodservice arena. Many of the differences between 1989 and 1990 surveys may be attributed to the method of evaluation used by this company and the methods used in the past. Also, there were modifications made to the survey instrument used that had a bearing on the differences in the results.



Some machines are not tracked in this report of full-line operators. Bars, restaurants and businesses that operate

CONTINUED

their own machines and the coin-operated music/games operators with little involvement in merchandise vending are not included in the universe of 8,900 U.S. operators served by *Automatic Merchandiser*.

The survey excludes machines operated by soft drink bottling companies, except through full-line vending divisions. Data for machines, such as pay telephones, is limited to units operated by vending companies.

Declines in unit sales

Despite the volume increase, vending operators actually experienced declines in overall unit sales. Since inflation was over 4 percent in 1990, the industry's sales increase can be attributed to most operators raising prices across the board on the products sold in their machines.

Recession also changed the product make-up of the industry last year, thus creating new trends. Some major points found in the 1990 report include:

- ▶ Food fell as the largest revenue-producing category in vending.
- ▶ Cold beverages took over the leading category with 32.3 percent of industry sales. This segment experienced a solid increase over 1989 as canned drinks continued to lead this segment at the expense of cup drinks. Juices continued their strong presence in the vend market.
- ▶ After poor sales in 1989, confections rebounded strongly in 1990.
- ▶ Hot beverages posted poor sales in 1990.
- ▶ Cigarettes continued its decline within the industry. Sales accounted for only 3.7 percent of total sales.

To provide a clearer picture of the industry, the editors had sales figures broken down by size of operation.

A small operation was a vendor with annual sales less than $1 million; a medium operator had sales between $1 million-$4.9 million; a large operator, $5 million-$10 million; extra-large, in excess of $10 million.

Small operators, or 62 percent of the 8,900 vendors, had projected sales of $1.4 billion, or 6.4 percent of total sales. Medium operators, accounting for 29 percent of the vendors, had sales of $7.6 billion, or 34.5 percent of sales. Large operations, representing 6 percent of industry, had sales in excess of $4.1 billion, or 19 percent of the total. The extra-large operators, or 3 percent of the vendors, had sales over $8.8 billion, 40.1 percent of the volume.

The whole pie

The industry volume for 1990 was $21,982,370,236, an increase of 1.9 percent over 1989. The sales volume in 1989 was $21,573,043,451. (*See pie chart on page 40.*)

When looking at all the segments of the vending industry, cold beverages and confections posted gains in 1990, while food, hot beverages and cigarettes felt the pressures of the faltering economy.

The food category was probably the biggest loser, considering it had been the largest revenue-producing category in vending since 1980. Food sales represented $6 billion of sales, or 27.7 percent of the market.

Cold beverages captured the top sales category last year, acquiring 32.3 percent of total sales. Confections

CONTINUED

sales were good in a slow economic year, accounting for 25.6 percent of total vending sales.

The rise of cold beverages and confections, at the expense of food, exemplifies the effect the recession has played on the industry. As the larger accounts trim the number of employees, the demand for food is reduced. Yet, the rise in cold drinks and confections would not be as affected as much by the declines.

Hot beverages definitely felt the effects of the recession. Sales accounted for 7 percent of the vend market last year.

The cigarette category continues to feel the pressures of society's reactions to the smoking issue. This was reflected in the decline in vended sales. Cigarettes declined again, to 3.7 percent of total sales.

Dairy items decreased 12.4 percent in 1990. Sales figures in this segment represented 1.72 percent of total vending sales.

Segments by size

When the vending pie is broken up according to the size of the operation, the industry falls into a clearer perspective. Among small operators cold beverages and confections accounted for 40.2 percent and 36.4 percent of sales respectively. Food represents only 7.2 percent of sales, while cigarettes were strong with

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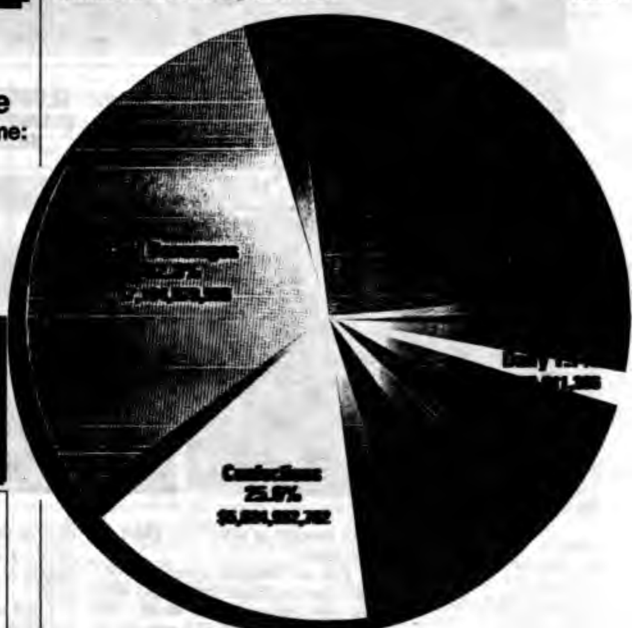
The Whole Pie
1990 Industry Volume: $21,982,370,236



[illegible]	
Candy	6.5%
Bagged snacks/chips	5.6%
Pastry	4.4%
Cracker sandwiches	2.4%
Gum/mints	1.7%
Jumbo cookies	1.0%
Bagged/boxed candy	1.0%
Microwave popcorn	0.8%
Bagged crackers	0.7%
Cookies (vend pack/bagged)	0.6%
Nuts	0.6%
Natural snacks	0.4%

[illegible]	
[illegible]	27.2%
[illegible]	3.2%
[illegible]	1.9%

[illegible]	
Milk only	1.3%
Other	0.4%

10.3 percent of sales: (*See chart on this page*).

For the medium operator, cold beverages and confections also were the most important sales items. Cold drinks represented 37.5 percent of sales, while confections held 26 percent of the market. Food in this group totaled 19.2 percent of sales.

Large operators were strong in food, cold drinks and confections. Cold beverages tallied about 30 percent of the sales, with confections showing 26.6 percent of sales and food at 23.1 percent. (*See chart on this page*).

Food was very dominant among the extra-large operations, accounting for over 40 percent of their sales. The cold beverages also held a respectable 27.7 percent of sales, while confections represented 22.6 percent of the sales.

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Foodservice Product Breakdown

VENDING OR MANUAL ITEM	% OF OPERATORS SELLING ITEM	SOLD VENDED	SOLD MANUAL	MADE BY STAFF	BUY FROZEN PRE-MADE	BUY NON-FROZEN PRE-MADE

COLD BEVERAGES
VOLUME BREAKDOWN

Canned drinks	$5,982,308,628
Cup drinks	$696,278,280
Juices/juice drinks	$426,282,776

Cold beverages

The cold drinks segment of the industry had a solid year, despite a troublesome economy. Sales in this segment totaled over $7.1 billion last year. Average sales per operation was $798,301.

Canned drinks dominated cold beverages by increasing to a shade under $6 billion in 1990.

The growth of the canned drink sector again came at the expense of cup drinks. Lagging cup sales has many in the industry concerned, especially operators who make good profit margins from the product.

Cup sales declined to $696 million.

The demand from customers for the healthier food items continued to keep juices and the juice drinks as one of the top-selling items in the operator's product line. Juices and juice drinks reached $426 million in sales for 1990.

The canned soft drinks represent 84 percent of the total cold beverage sales, versus cup soft drinks at 10 percent. Juice and juice drinks represent 6 percent of sales.

Foodservice

When a recession hits, businesses have a tendency to reduce the number of employees to maintain profitability. When that happens, vending operators eventually pay the price.

Accounts with foodservice had fewer workers eating meals, and that may have explained why the food category fizzled in 1990. Sales in food hit $6 billion last year.

The decrease also toppled food as the largest revenue-producing segment of the industry. Last year, it represented 27.7 percent of the industry's total volume.

Combined sales in vended, manual and catering categories totalled $5.7 billion, with the average sales per operation at $646,748.

Vended food—either freshly prepared in a commissary or frozen—accounted for $840 million in 1990. Among operators active in vended food, they averaged 50 machines.

In manual foodservice, the sales volume was $4.7 billion in 1990.

About 27 percent of the operators reported they were involved in manual foodservice. This was down from 28 percent in 1989.

Catering and special events recorded a total sales volume of $182. 7 million in 1990. The number of operators involved in the catering and special events rose 12 percent last year. In 1990, 28 percent of the operators were involved in catering and special events. The increase in the number of operators shows that vendors were looking

CONTINUED

for ways to improve sales in a declining market.

Canned/packaged foods

Over the last three years microwave food products have filtered from the grocery shelves into the vending machines, and this segment of food-service continues to fare well in vending.

The overall canned/packaged foods and soups accounted for $335 million in sales volume in 1990, with the average operator doing $37,641 in sales. Canned foods/microwave-able bowels and packaged foods accumulated $237.5 million in sales last year, while canned microwave-able soups registered another $91.3 million in sales. Packaged foods tallied $6 million in sales.

In 1990, microwave entrees and bowls grew to $237.5 million. Since these products are shelf stable, they allow the small and medium operators to enter the foodservice market, and make a profit.

When one looks at the percentage of operators vending microwaveable foods, it may explain why the category posted good numbers last year. In 1990, the number of operators who sold canned and microwaveable foods increased to 54 percent.

Exactly 57 percent of the operators offering these products are selling them through all-purpose food machines, another 37 percent are selling them through canned and packaged food machines, and the heated food and soup machines are only used by 6 percent of the vendors. The average number of machines for canned/packaged foods is 14 per operation.

Average of 14 machines per operator

Candy/confections

Last year, the confections category was one of the stronger vending categories. Total segment sales reached $5.6 billion in 1990. The average sales per operation was $632,020.

The biggest sales performers were candy bars, bagged crackers, pastry, natural snacks, cracker sandwiches and bagged/boxed candy.

The health craze may have been the major contributing factor for health snacks/bars making their strong showing in 1990. Sales in this category hit $92.1 million last year.

Microwave popcorn continues to be a favorite product at locations, as sales tabulated $171.9 million in 1990. Other solid sales were recorded by candy bars at $1.4 billion in 1990, and bagged snacks/chips at $1.2 billion in 1990.

Hot beverages

Hot beverages represented exactly 7 percent of the industry's total sales

volume in 1990, or $1.5 billion. The average sales per operation totaled $171,804.

Coffee represented 82 percent of the hot drink sales, or $1.2 billion.

Of total sales, fresh-brew regular coffee accounted for 59 percent, and decaffeinated fresh-brew coffee represented 1 percent. Freeze-dried regular coffee was responsible for 18 percent of the sales, while freeze-dried decaffeinated coffee tallied 4 percent.

The other hot beverages totaled 18 percent of sales, while hot chocolate representing 14 percent. The other 4 percent was split evenly between tea and other.

Operator involvement in hot beverages shows that 82 percent of the vendors offer fresh-brew regular coffee; 45 percent say they offer decaffeinated fresh-brew coffee. Seventy-six percent of the operators utilize freeze-dried regular coffee, while 57 percent of the operators, decaffeinated freeze-dried coffee.

Hot chocolate was offered by 98 percent of the operators, while 75 percent filled their hot beverage machines with tea. Exactly 36 percent offered other.

Cigarettes

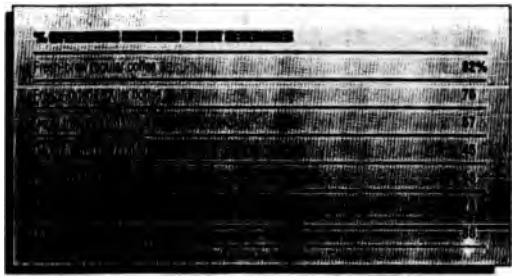
Sometimes operators are faced with no-win situations, and that may be the case with the cigarette business. As everyone associated with the vending industry knows, operators are losing ground in this segment.

Sales volume for cigarettes again regressed, accounting for $802,444,548 in industry sales. Cigarettes represented 3.7 percent of the total vend market. The average operation tallied $90,162 in cigarette sales.

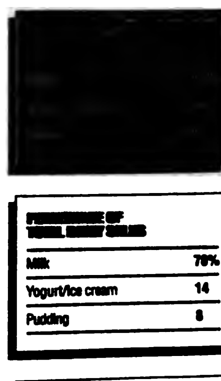
The reasons for the poor sales are no secret. More and more anti-smoking legislation on the federal, state and local levels surfaced in 1990, forcing operators to pull machines from areas that are easily accessible for individuals under 18 years of age. Consumers also are smoking less, which has reduced the number of people who may purchase from the machines.

The main factor, however, is that more vending accounts are establishing smoking bans or restricted smoking areas. Usually, when such restrictions are put forth, the account requests that the cigarette machine be removed from the location. Operators reluctantly oblige in order to retain the rest of the vending business.

Vendors are definitely working to acquire as many cigarette sales as possible, and they are utilizing whatever machines they can to achieve that. About 58 percent of the operators report they are using standard cigarettes machines; 42 percent have incorporated glass-front merchandisers to sell both product mix and cigarettes. Also, 32 percent of the operators admit that they are using glass-front merchandisers exclusively for cigarettes.



The average operator says he/she has about 28 standard cigarette machines on location, 15 glass-front units with both cigarettes and products and 1 glass-front machine with all cigarettes.



Milk, dairy products

Dairy products represented 1.7 percent of total sales, or $378.9 million, in 1990. The average sales per operation was $42,574.

Milk was clearly the dominate dairy product, accounting for 1.4 percent of that 1.7 percent figure, or $295.9 million. The other dairy products, like yogurt and ice cream, covered the remaining 0.4 percent. The total equaled almost $83 million.

When the sales figures are broken down to percent of total dairy sales, milk represents 78 percent of the sales, with yogurt and ice cream accounting for 14 percent. Pudding rounded out the category with 8 percent of the sales.

In past years, this category has

CONTINUED

[illegible]	
Milk	78%
Yogurt/Ice cream	14
Pudding	8

[illegible]	Yes	No
Small	19%	81%
Medium	29	71
Large	19	81
XLarge	41	59
TOTAL	22	78

% OF OPERATORS	AVG. MACHINES PER OPERATOR	TOTAL MACHINES ON LOCATION
53.5	[illegible]	[illegible]
68.4	[illegible]	[illegible]
40.2	[illegible]	[illegible]
30.2	[illegible]	[illegible]
65.5	26	[illegible]
60.3	35	[illegible]
43.6	7	[illegible]
47.3	16	[illegible]
52.8	26	[illegible]
55.6	9	[illegible]
85.1	86	[illegible]
32.1	4	[illegible]
57.2	26	[illegible]
32.2	1	[illegible]
41.5	15	[illegible]
92.6	103	[illegible]
49.7	32	[illegible]
34.6	5	[illegible]
52.3	7	[illegible]
30.2	0.5	[illegible]
29.6	0.5	[illegible]
30.8	1	[illegible]
33.1	9	[illegible]
62.7	60	[illegible]
29.9	4	[illegible]
30.3	0.5	[illegible]
73.3	31	[illegible]
44.5	62	[illegible]
83.4	148	[illegible]

experienced dwindling sales, which lead to speculation that many operators are getting out of the milk and dairy business and subcontracting it to local dairies.

In this survey, *Automatic Merchandiser* asked operators if they subcontracted their milk. Among all operators responding, 22 percent reported "yes," versus the 78 percent that said "no."

The subcontracting of milk was the most prevalent among the extra-large vendors, in which 41 percent said "yes."

Machines on location

The trends for machines on location revealed that many vending operators are scaling back in relation to economic times. The growing number of machines on locations were in areas that are faring well in vending. Some of the notable trends are:

▶ More canned and packaged food machines are on location to accommodate the growing number of shelf-stable products entering the vending market. Over 53 percent of operators have placed such machines on location, totaling 99,992 machines. That averaged to about 21 per operator.

▶ The number of microwave ovens increased in relation to the growing number of shelf-stable products on the vend market. Almost 63 percent of the vendors were utilizing microwave ovens on location. The units on locations totaled 334,818, or 60 per operation.

▶ In turn, the number of refrigerated food machines are lower as food decreased in sales in 1990. Over 68 percent of the operators have refrigerated food machines on location that amounted to 146,102 units. The average per operation was 24,

Hot beverage machines were broken into three categories: pre-ground machines, whole bean and freeze-dried. Over 60 percent of the operators have pre-ground machines, averaging 35 per operation. They totaled to 187,835 units on location.

Whole bean machines were used by almost 44 percent of the vendors, each averaging 7 machines per operation. The total was 27,263.

Over 47 percent of the operators use the freeze-dried machines, averaging 16 units per operation. Freeze-dried machines totaled 67,355 units.

▶ More than 85 percent of the operators are using glass-front merchandisers, totaling 651,355 machines on location. This averages out to 86 machines per operation.

▶ In this survey, operators were questioned about the number of tabletop candy/snack machines they had on location. Over 32 percent of vendors claim to be using the machines, averaging four per operation. The total amounted 11,428 units on location.

The combination machines were

CONTINUED

[illegible]

	Yes	No
Small	15%	85%
Medium	9	91
Large	6	94
XLarge	75	25
TOTAL	14	86

[illegible]

	Yes	No
Small	11%	89%
Medium	47	53
Large	94	6
XLarge	25	75
TOTAL	27	73

broken down to specific categories to find how the segment of machines were doing. The survey found that 30 percent of the operators were using combined hot/cold drink machines. They totaled 2,670 on location or about 1 per operation. On the other hand, 33 percent of the vendors have combined snack and beverage machines in the field. This unit totaled 26,513 machines, or 9 per operation.

▶To diffuse the confusion on bill changers and bill validators, the operators were asked how many they had of each piece of equipment. The outcome of the survey found there are about 1.1 million bill validators on location, averaging 148 units per operation. There were over 200,000 bill changers (averaging 31 per vendor) and over 245,000 coin changers (averaging 62 per vendor).

Other equipment

With the 1990 State of the Industry Report, the editors of *Automatic Merchandiser* wanted to provide more details to the industry on other equipment, such as trucks, freezers and computers. According to this recent survey, the average operator has 10 route vehicles in his/her fleet. He/she also has more than six service vehicles in operation. The total fleet averages 27 vehicles.

When buying and leasing those vehicles, about 17 percent of the operators said they lease some of their vehicles. About 57 percent reported they purchased at least some of their vehicles.

The survey also questioned operators about their frozen food/refrigerated space. The average operator maintains 1,000 cubic feet of refrigerator space and 530 cubic feet of freezer space.

Many in the industry wonder just how many operators are computerized. The survey found that 60 percent of operators have installed computers in their businesses.

If one divides the questions according to the size of the operation, 44 percent of the small operators are computerized, versus 82 percent of the medium vendors, 100 percent of the large and 94 percent of the extra-large vending companies.

Most of the operators claim to be using a PC-based system. Exactly 76 percent of the operators are using such systems. Another 13 percent were using a mini-computer and 11 percent had a main frame.

The software used by the operators offered some surprising results. Only 14 percent of the operators were using software designed specifically for vending. Most of those operators were medium-sized vendors.

Thirty-eight percent were using canned software designed for general business. That software was used mostly by small operators.

Internally developed programs were incorporated by 34 percent of the operators, and that was done mostly by the extra-large operations.

Finally, 25 percent of the operations reported they did some combination of the three. Surprisingly, this was done by mostly the large operators.

New market

In the past two years, the editors of *Automatic Merchandiser* have engaged in conversations with operators and suppliers about water and its potential in the vending industry.

The survey was designed to see what vendors thought about water and what they were doing in this area.

The survey found that only 14 percent of the operators who responded were selling bottled water, mostly the extra-large operations. However, 70 percent of the vendors saw growth for bottled water in the coming year.

Only 2 percent of the operations reportedly have bulk water vending machines, yet 27 percent claim to have a water selection on their cold cup vending machines. This approach was used the most by the large operations.

Since many of the suppliers are now offering canned water, only 15 percent of the operators had the product in their canned drink machines. However, the small operators were more responsive to the idea. AM

EASTERN VENDING CORPORATION

761 NO. STILES STREET LINDEN, N. J. 07036
TELEPHONE: 925-8160
(AREA CODE 908)

November 8, 1991

Congressman Esteban E. Torres
Chairman
U.S. House Banking Sub Committee
on Consumer Affairs & Coinage
604 House Annex 1
Washington, D.C. 20515

We wish to thank the Committee for the opportunity to testify on November 6 and if you will permit me to make the following points.

1. We are not against the Dollar Coin but are for research into the impact of the elimination of the Dollar Bill on small and medium size vendors and their extensive use of Dollar Bill Validators.

2. With over 1,000,000 Dollar Bill Validators in use another mistake such as the Susan B will have tragic consequences on the small and medium sized vending community and their customers.

3. If the publ c does not clearly use the new Dollar Coin but some use the new Coin, some use the Two Dollar Bill and some the Five Dollar Bil we will have massive confusion and disaster n our small businesses. The float of the coin must also happen in months and not years as our small businesses which receive fifty of more percent of our revenues from Bill Validators will be deeply affected.

4. Adequate time must be given to permit not only the proper development of a new coin but the development of coin mechansims that can accumulate proper levels of Dollar Coin to change Five Dollar Bills and proper validator conversions if it can be done at all.

5. We believe that the Committee should get a copy from NAMA of the NAMA Operating Ratio Report by Price Waterhouse which will show the deep financial problems in the Vending Industry.

5. If the coin works then we come out even, if it doesn't we will lose many small and medium size vending companies.

6. We are very disturbed by the McCandless Report from the University of Chicago and believe it should be independently checked.

7. Anyone who wants to use a Dollar Coin can use one now without waiting for an expensive new one and more and more transit and other companies are doing this now.

8. With the huge savings claimed but not proved a fund should be set up to help businesses adversely affected by the elimination of the Dollar Bill. This fund could include Grants and/or low cost loans to businesses adversely affected if we have another Susan B disaster.

Thank you for permitting me to make these additional statements

EASTERN VENDING CORP.

Philip Greenhut

Philip Greenhut
President

CRYSTAL COFFEE SYSTEM

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OCTOBER 14, 1991

CONGRESSIONAL COMMITTEE MEMBERS
SUBCOMMITTEE ON CONSUMER AFFAIRS AND COINAGE
COMMITTEE ON BANKING, FINANCE AND URBAN AFFAIRS
U. S. HOUSE OF REPRESENTATIVES
604 HOUSE ANNEX ONE
WASHINGTON, D. C. 20515

DEAR COMMITTEE MEMBERS:

WE STRONGLY URGE ALL COMMITTEE MEMBERS TO VOTE NO ON THE ISSUE OF ELIMINATING THE DOLLAR BILL VIA HR 1245 FOR THE FOLLOWING REASONS:

1. NONE ACCEPTANCE OF A NEW DOLLAR COIN WILL LEAVE SMALL TO MEDIUM VENDING LOCATIONS UNPROFITABLE TO THE VENDING MACHINE OPERATOR WITHOUT THE BILL TO MAINTAIN PRESENT PURCHASES.

2. A TWO DOLLAR BILL WILL BE REQUIRED EVEN WITH A 2ND NEW DOLLAR COIN EXPERIMENT - LEAVING NO SAVINGS TO FEDERAL GOVERNMENT.

3. ADDITIONAL EXPENSE TO SMALL TO MEDIUM SIZED OPERATORS FOR CONVERSION TO NEW COIN CANNOT BE TOLERATED IN OUR PRESENT ECONOMY.

4. NO RESEARCH BY ANY MEDIA HAS BEEN DONE TO PROVIDE ASSURANCE TO EITHER THE VENDING MACHINE OPERATOR OR JOHN Q. PUBLIC THAT THE DOLLAR BILL IS NOT NECESSARY UNTIL NEW DOLLAR COIN CAN BE TESTED.

5. TOO MUCH FORCE ON JOHN Q. PUBLIC TO ACCEPT A 2ND ATTEMPT TO ESTABLISH A DOLLAR COIN REPLACING OUR PRESENT CONVENIENT DOLLAR BILL IS BEING APPLIED BY BIG SPECIAL INTEREST COALITIONS WITHOUT ANY RESEARCH TO SUPPORT THIS CHANGE IN OUR PRESENT DIFFICULT TO RETAIN BUSINESS ECONOMY.

SINCERELY YOURS

Raymond F. Ruppert

RAYMOND F. RUPPERT
PRESIDENT

Statement of Senator Alan Cranston
House Subcommittee on Coinage Hearing
November 6, 1991

Mr. Chairman, thank you for holding hearings on the bill to redesign the reverses of the cent, 5-cent, dime, quarter and half-dollar with themes emblematic of the Bicentennial of the Bill of Rights.

We live in extraordinary times. One invisible but omni-powerful thread ties the outrage of Tiananmen Square, the resounding crash of the Berlin Wall and the fall of Communism in the Soviet Block to the events our forefathers experienced two hundred years ago. The rights personified by the Bill of Rights and the Constitution gives that thread its everlasting strength. Coins have been labelled a civilization's Ambassadors. They are more than that. They not only travel the world during our life times, they are indestructible reminders for generations to come ad infinitum about what was of importance to us. Cortainly the Bill of Rights deserves that respect.

I am extremely proud to have played a leadership role in the coin redesign legislation since its conception almost four years ago. I was the first to hold hearings on this legislation, S. 1776, in the 100th Congress. Senator Malcolm Wallop and I have been sponsors of the legislation, S. 428 in the 101st

Congress and of S. 198 in this the 102nd Congress. In the 100th Congress, S. 1776 had 68 cosponsors while H.R. 3314 had 201 cosponsors. In the 101st Congress, S. 428 had 68 cosponsors while H.R. 505 had 278 cosponsors. At last count this legislation has passed the Senate not less than a dozen times and has enjoyed the support of a total of 615 congressional cosponsors.

This is the THIRD hearing the House has held in almost as many years. I include in my testimony ~~as part of the permanent record~~ to incorporate by reference, the transcripts of the previous hearings and reports that have occurred on this nearly identical legislation. These are:

* S. Hrg. 100-627; S. 1776, The American Coin Redesign Act, April 22, 1988

* S. Report 100-396, Calendar No. 756; Report to Accompany S. 1776, Ordered to be printed June 23, 1988

* H.R. 3314 Hearing on Legislation to Change the Designs of United States Coinage, September 14, 1988

* H.R. 505, Hearing on Coin Redesign Bill, July 12, 1989

These documents prove in no uncertain terms the clear merits of this legislation.

<u>The U.S. has changed coin design 72 times in our nation's history. Every change has made a profit for the government.</u>

The United States Senate, the Congressional Budget office, the numismatic experts, the United States Commission of Fine Arts, the Bicentennial of the Constitution Commission, the Congressional Arts Caucus and 615 congressional cosponsors and ten million U.S. coin collectors who have testified through the editors of the numismatic publications have spoken in one clearly understandable and logical voice over and over again extolling the beneficial financial, aesthetic, cultural and historically sound imperatives for new coin redesign.

The Post Office changes stamp designs 24 times every year. It makes a huge profit because of purchases by 10 million stamp collectors. The 1990 profit was approximately $250 million.

It is natural to wonder why the House has not responded to the desires of the electorate. Mr. Chairman, I can come up with no logical explanation.

Apparently, misunderstandings of the true facts and false allegations have led to this unfortunate stalemate between the House and the Senate. Hopefully under your leadership and guidance, Mr. Chairman, all previous rancor will cease.

Indeed there are many other such erroneous misconceptions that have been spread, too many of them by mint officials alike . One has only to skim the S. 1776, H.R. 505 and H.R. 3314 hearings to have these mistruths leap from the pages.

There are these who have erroneously stated that changing the designs on our coins will cost the taxpayers money. In fact, CHANGING THE REVERSE IMAGES ON OUR COINS WILL MAKE THE TREASURY MONEY AND WILL REDUCE THE NATIONAL DEBT. I urge you to turn to pages 12 & 13 in the S. 1776 report to see the CBO estimates to that effect.

The nation's 10 million coin collectors insure that coin design change will produce huge profits. On June 23, 1988, a conservative CBO study estimated that the proposed six new designs will produce a total profit of $155 million through above-normal seignorage in 4 years: $36 million in year 1, $42 million in year 2, $47 million in year 3, $30 million in year 4. CBO estimated that

this increased seignorage will _also_ reduce federal interest costs by $29 million in the first four years. CBO additionally stated that there will be $18 million profit in collector sets sales over a six year period. This money will go directly to the Treasury to reduce national debt. Seignorage is the difference between the cost and the sales price of a coin. Example: it costs 2.5 cents to make a quarter for a seignorage profit of 22.5 cents.

There are those who have erroneously stated that it will take at least 18 months to redesign the first coin. In fact, THE LAST TWO CHANGES ON OUR CIRCULATING COINS TOOK FAR LESS THAN THAT:

* KENNEDY HALF DOLLAR -- was authorized on Dec. 30, 1963 P.L. 88-256, 88th Congress. The first coin was struck for circulating purposes on February 11, 1964. THUS IT TOOK ONLY 43 DAYS FROM AUTHORIZATION TO CIRCULATION FOR THE KENNEDY HALF DOLLAR. This legislation simply calls for reverse changes. This is considerably less work.

* SUSAN B. ANTHONY DOLLAR -- was authorized on October 10, 1978, P.L. 95-447, 95th Congress. The first coin was struck for circulating purposes on December 13, 1978. THUS IT TOOK ONLY 60

DAYS FROM AUTHORIZATION TO CIRCULATION FOR THE SUSAN B. ANTHONY DOLLAR. The Anthony coin is analogous to the reverse change on the quarter representing the Bicentennial of the Bill of Rights because the Congress could enact a law mandating changing the reverse on the quarter November 6, 1991, and strike the first coin on December 15, 1991 which is the Bicentonnial of tho Bill of Rights day. This coin could have a 1992 date on it.

Mr. Chairman, while on the subject of the Anthony Dellar, I trust that you and your colleagues will not be swayed by those who erroneously equate that coin's failure as a reason for not enacting the U.S. coin legislation. Your colleagues on this subcommittee know better than that. Changing the reverse on the quarter is not analogous to the Susan B. Anthony in that tho Susan B. Anthony coin was a totally new size, shape, weight, and denomination for coins. The quarter will be kept the same size, color, shape, metallic content, weight, and the obverse (head) will not be changed. Therefore, there is less than half the amount of work to do on the quarter than there was on the dollar.

There are those that erroneously say that the Mint does not have the capacity to produce new coin designs. IN FACT, THE MINT HAS "SUFFICIENT

CAPACITY TO IMPLEMENT THE SIX-YEAR COINAGE REDESIGN LEGISLATION" -- MINT DIRECTOR DONNA POPE, TESTIMONY BEFORE HOUSE SUBCOMMITTEE ON CONSUMER AFFAIRS AND COINAGE, JULY 12, 1990.

Mr. Chairman, you and your colleagues know from this legislation which has been before your house for the last five years that the size, shape, weight, color and metallic content of the newly designed coins will BE EXACTLY THE SAME as the coins currently under circulation. The language in the legislation clearly spells this out as it always has. The words, IN GOD WE TRUST, E PLURIBUS UNUM, THE UNITED STATES OF AMERICA, and the denomination of each coin will remain as presently MANDATED BY LAW.

These are some facts that I want to stress and reiterate today:

i. Using the Susan B. Anthony enacting, striking and circulating formula, the newly designed quarter could be struck on December 15, 1991 -- the Bill of Rights day, with a 1992 date just as the Susan B. Anthony was struck on December 13, 1978 with a 1979 date.

ii. The newly redesigned dime with a reverse emblematic of the B of Rights could then be struck in January 1993. The newly designed nickel with the reverse emblematic of the Bill of Righ could be struck in January 1994 and so on with the penny and half dollar in subsequent years.

iii. The Mint Director's 15 month lead time recommendation for ne designs is complete nonsense when compared to the 42 days fro enactment to circulation of the Kennedy half-dollar and the 64 days from enactment to circulation of the Susan B. Anthony dollar.

iv. The Mint's concern about lack of artists is unfounded. The Min has several in-house artists whose job is to design coins and perfect dies. Former Chief Engraver Elizabeth Jones, who is testifying before you today, could be called on as well as several in-house artists and former chief engravers.

v. No additional funds are needed as dies must normally be tested New dies must be constantly produced, no matter whether the design is new or old because dies break, chip, crack, and grow dull. "For example, over 27,000 one cent dies alone [were used for circulating coins in 1988]" -- Donna Pope, Director of the Mint, S. 1776 Hearing, April 22, 1988.

vi. The mint makes contradictory remarks about coin production:

a. That additional coins will be needed to be produced because new coin designs will induce hoarding, and

b. That there is no public demand for new coin designs.

c. The mint can't have it both ways.

The mint handled the Kennedy half-dollar distribution in the usual manner even though the demand for the coin was exceptional due to the untimely and tragic death of a popular president. 26 million were released by the Mint directly to the Federal Reserve Banks and Branches for simultaneous distribution through the commercial banking system. Therefore the mint need not be concerned about hoarding.

vii. Another erroneous point that I want to put to rest also concerns hoarding. No coins currently in circulation will be withdrawn. To do so would be contrary to historical fact and Mint power. The country has had many co-circulating denominations in our history, i.e. the Wheat cent and the Lincoln Memorial cent, the Benjamin Franklin and Kennedy half dollars, the Eisenhower and Susan B. Anthony dollar, the Buffalo nickel and the Jefferson nickel, the Mercury dime and the FDR dime were all in circulation without the slightest public confusion. The United States has never pulled a circulating coin out of circulation.

Finally, I want to note that the present time is one of the longest periods our country has gone without a redesign change. I ask that at the conclusion of my remarks a chart be included showing the years various coins have been changed and a summary of the years coins have been redesigned.

Mr. Chairman, in closing, I urge you to remember that the Congress has the power specifically laid out in the Constitution to mint new coins. Our branch of government should not and must not forget this important fact. We must act together to ensure that the voices and wishes of the 240 million Americans we are elected to represent are heeded. I urge and trust that you and your colleagues will promptly pass H.R. 2636.

YEARS VARIOUS COINS HAVE BEEN CHANGED

$.01	$.02	$.03	$.05	$.10	$.25	$.50
1793	1867	1830	1866	1796	1796	1793
1794		1843	1883	1796 rev.	1804 rev.	1794
1794		1855	1913	1809	1815	1796 obv.
1798		1861	1938	1837	1838	1796
1857				1892	1892	1801 rev.
1859				1916	1916	1807 total
1860				1946	1932	1838
1909					1975-6 rev.	1839
1959 rev.						1865
						1866
						1892
						1913
						1916
						1938
						1948
						1964
						1975-6 rev.

$1	$2.5	$5	$10	$20
1793	1840	1795	1795	1795
1798	1908	1820	1820	1820
1834		1908	1908	1908
1840				
1840				
1840				
1873				
1878				
1921				
1971				
1978				

SUMMARY OF YEARS COINS REDESIGNED

1793, 1793, 1793
1794, 1794, 1794
1796, 1796, 1796
1796, 1796, 1796
1798, 1798, 1798
1801
1804
1807
1809
1813
1820, 1820, 1820
1834
1837
1838, 1838
1839
1840, 1840, 1840, 1840
1855
1857
1859
1861
1864
1865
1873
1878
1882
1892, 1892, 1892
1908, 1908, 1908, 1908
1913, 1913
1916, 1916, 1916
1921
1932
1938, 1938
1946
1948
1959
1964
1975-6, 1975-6, 1975-6
1978

S.1776
A Bill to Modernize United States Circulating Coin Designs

Statement of Edward C. Rochette, representing the American Numismatic Association

Introduction

Distinguished members of the United States Senate Committee on Banking, Housing, and Urban Affairs, good morning. am Edward C. Rochette, former executive vice president of the American Numismatic Association, a federally chartered non-profit educational organization. retired from active management of the association in 1985, after twenty-one years of employment, but continue today to serve on its board of governors

have made the study of numismatics a lifelong pursuit. I have authored number of books the subject and write a weekly column appearing in a number of newspapers throughout the country. The column is distributed by the Los Angeles Times Syndicate. Having traveled extensively on behalf of numismatics and having visited mints throughout the world, believe that my testimony here today will help give better understanding of the additional roles of consequence served by the circulating coinage of a nation.

Statement of Support
on Behalf of Coin Design Change

When former President Theodore Roosevelt wa asked what he thought was one of the most important contributions of his administration, he replied, "the coinage of the United States. Roosevelt cited the redesign of the gold eagle and double eagle, the $10 and $20 gold coins, introduced in 1907, above anti-trust legislation, Civil Service reform, Indian rights, land frauds, massive Japanese immigration to California the Panama Canal, the Russian-Japanese peace treaty, the United States Navy's world tour, and water-power controversies.

Theodore Roosevelt was concerned with the state of the art of American coins when he assumed office. He called the work of the United States Mint his "pet crime." Roosevelt felt that the coins of the country were unworthy of so great a nation and questioned why the United States could not have coins like the ancient Greeks.

At the time, the circulating cent was the Indian head. The design had been introduced in 1859, almost a half-century earlier. The circulating ive-cent piece was the V-nickel, a design just two-decades old The dime, quarter and half-dollar were of a design by Charles Barber of the mint staff and had been introduced not too many years earlier in 1892. All were allegorical representations of Liberty. No circulating U. S. coin design depicted identifiable person.

President Roosevelt had recognized the additional roles of consequence that coinage plays. Coins than facilitate trade. They tell story. They are our foreign ambassadors to the common citizens overseas. Their propaganda message is important as the Voice of America, and in most cases the message is far better retained. Coins are the face of America in the hands of the people of the world.

Those of you here, who have had the opportunity to travel overseas, know of the popularity of the Kennedy half-dollar. Surely, it is not for its intrinsic value that the coin continues to be very popular for the piece is no more than cupro-nickel clad disk. Yet, speaking from recent experience, I know that people behind the Iron Curtain: in Poland in Hungary, in Romania and in Yugoslavia, given the opportunity, will select a single Kennedy half-dollar over a handful of other U.S coins with cumulative face value far above the fifty cents of the Kennedy piece. The popularity of the coin is due in small part to the message of hope that the world shared when President Kennedy was elected. Theodore Roosevelt recognized that U.S coins were than mediums of exchange.

President Roosevelt personally conducted the campaign for a more artistic series of coin designs. Homer Saint-Gaudens, son of the famed sculptor, related the discourse between his father and the President. It was in the winter of 1905 when the two met at a dinner in Washington. During the course of the evening the conversation drifted to the subject of old high-relief Greek coins. Augustus Saint-Gaudens had come to Washington to serve on a committee named by the President to give criticism and advice toward maintaining the beauty of the National Capitol according to the plans of the original architect L'Enfant Roosevelt sought the sculptor's opinion on a variety of subjects but the President noted that one of the most direct ways that the art of sculpture could be brought to bear upon public welfare was through the coinage. The President told Saint-Gaudens that if he would model the new coin designs that he, as President, would cause them to be minted.

The sculptor's son was to later recall, "The notion of producing worthy coins might never have been carried out; the discussion and desire for them could have lapsed with the end of that dinner had either the President or the artist been a less sincere character Each proved willing, however, to contribute something to the nation, the sculptor his genius, the statesman the energy of his position."

It is heartening to note that today, eighty years later, we have fifty-one senators of the United States who have expressed the same desire to contribute their energy to correct a problem that has once again manifested itself - that of tired, obsolete designs of the coinage of the nation. The country has the talent, both within the mint and outside the staff to meet the challenge of genius.

Our current circulating coins spoke well for the nation a half-century ago when that particular style of coin portraiture was in vogue. But like the art of the period, such design is passe It does not bode our nation well to insist that coin designs remain unchanged on the lame salvo that they have served their purpose well Could not the same be said of all art of expression? My father revered the Chrysler Airflow, but that was in 1933, year after the present quarter was introduced.

For the record, the current circulating cent was designed in 1909, the Jefferson nickel is observing its fiftieth anniversary this year and the Washington quarter has been around for fifty-six years. The Roosevelt dime marked its fortieth year of issue two years ago, even the Kennedy half-dollar will have marked a quarter century of issue by next year. And, for all of the 20th century so represented, these coins mark little difference in design portrait in profile.

The attention paid American coinage design by President Theodore Roosevelt is reflected in far more than just the two coins designed by August Saint-Gaudens the $10 and $20 gold pieces, then values in circulation. The sculptor was working on the one-cent piece when he succumbed to cancer. But the work of redesign went on and produced some of the mos beautiful coins ever executed for general circulation. The U.S. for a period, held the lead and the whole world was aware of it.

The Lincoln cent, when it was introduced in 1909, created a sensation. This was the irst U. general circulation coin to bear the portrait of recognizable person The coin marked the centennial of the birth of the 16th President It was designed by Victor D. Brenner, foreign-born immigrant and helped launch most successful career for the young sculptor. He had been a pupil of Louis Oscar Roty, who had designed many of the outstanding coins of France But in spite of Brenner's talented creation the design of the Lincoln cent came under severe criticism took all of Roosevelt dynamic leadership to force acceptance of the precedent setting masterpiece Now, almost eighty years later, Brenner's obverse design remains unchanged.

Even after Roosevelt left office, the trend that he had started continued Next to be released was the Buffalo nickel. The design was to remain in circulation for the "traditional" quarter-century. Cornelius Vermeule, historian and author notes that the artist for this coin, James Earle Fraser had "achieved a perfect synthesis of the ideal, the real, and the traditional in medallic design. It was Fraser," Vermeule wrote, "who first releated these principles to designs for the United States coinage.

As an appointee of Theodore Roosevelt, and an advocate of the former President's motives for coinage redesign, then Secretary of the Treasury Franklin MacVeagh, in announcing the release of this design in 1913 noted that "not withstanding our practical limitations, modern coins can still be immensely interesting and beautiful; and the designs for the new nickel will give this coin a place with the best modern work." He was right.

Then came the Mercury dime in 1916. Vermeule says the coin "takes it place as the first individual and imaginative design for this small denomination in American numismatic art." The coin, incidentally, portrays Liberty with winged cap and not the Roman god of commerce. The sculptor A.A. Weinman, was to also contribute another classic design at the period the Liberty Walking half-dollar. This later piece has been described as "one of the greatest coins of the United States - if not of the world." It is so perfect in balance and design that the United States Mint thought it could not improve upon it and chose the design for its new silver eagles bullion coins. It is a great complement to the art of the past, but a sad commentary on the present. America has the talent, evidence the modern commemorative coin creations of Marcel Jovine and Elisabeth Jones. Coinage redesign will give America the opportunity to show the world that it can be a leader in coinage art once again.

Nor should Hermon MacNeil's Liberty Standing quarter be omitted from mention of the bright beautiful coins of the United States. This coin, too, was introduced in 1916, marking the culmination of the redesign project undertaken by President Roosevelt. Tragically, as outstanding as it was, the coin was to remain in production for a mere fifteen years.

To Summarize

It is a sad commentary when Americans lament the loss of prestige and leadership. We have in our country the greatest resources and talent ever gathered in nation. The coinage of our country can play lead in restoring our image abroad and our self-assurance at home Coins more than facilitate trade and designs more than tell a story. They visual proof of the talent the culture, and the history of a country. While there are many reasons to change the obsolete designs of our current coinage, welcome this opportunity to speak on an important reason that might have been overlooked.

Edward C. Rochette
April 22, 1988

AMONG THE WORLD'S MOST BEAUTIFUL COINS

Buffalo Nickel - 1913-1938

Mercury Dime 1916-1945

AMONG THE WORLD'S MOST BEAUTIFUL COINS

Liberty Standing Quarter 1916 1930

Liberty Walking Half-Dollar 1916 - 1947

AMONG THE WORLD'S MOST BEAUTIFUL COINS

Saint-Gaudens $10 Gold 1907-1933

Saint-Gaudens $20 Gold 1907-1933

Coins really should represent the ideals, hopes, dreams, and celebrations of this country. Themes on U.S. coins should be instant international reminders for which America stands.

Senator CHAFEE. I'm all for that. I think that you have a minefield to walk through. And, again, I'm looking at the nickel that had the Indian on it. I suppose somebody could say:

Well, the Indian has been on it, why not Eskimos?

Ms. WOLF. We have become much more sensitive in this country to different interest groups.

The Commission has already shown through the Olympic competition I mentioned, that we can resist pressure. Our preference is the representation of allegorical figures or symbols.

Senator CHAFEE. I'm not suggesting it is a problem. Is it an insult to have an Indian on a coin?

Ms. WOLF. I think it is one of the best designed coins we have. But, as I said previously, the Commission has learned that America's ideas have evolved.

Mr. HAYES. One of the sponsors of this bill thinks it's the greatest coin ever minted in the history of the United States.

The alternative is even more interesting though. Should we never change for fear that we will be faced with competitive groups each morning to have their representation? Shall we quit building monuments because we're not building monuments to all 128 ethnic origins in the United States?

Should we not have built the Vietnam Memorial because of so many other wars not commemorated on equal footing?

I think the coinage has to reflect the culture. In 1860, Pike's Peak was on the obverse of two beautiful gold coins. They were minted for that 1 year, but preserved forever. And the history surrounding that still is commemorated in Denver.

The competing interests all of us face in every piece of legislation that we pass, we can certainly deal with it on one more occasion. And the chairman's suggestion happens to coincide with the belief I have often felt.

That is that, once again, the configuration of Liberty would be awfully nice to again grace the coinage of the United States of America.

Senator CHAFEE. I want to say this is interesting and exciting. I want to commend all of those involved, especially Ms. Wolf, who has been so active. And also to say that I do hope that you won't bend to special pressures, that it will be magnificent if you can produce something that we will look back on and say:

Isn't that a great tribute to our Nation's heritage, and not succumb to every pressure that comes around—because there will be plenty of them.

Senator CRANSTON. Thank you very much.

I would like to ask you one question, Mr. Rochette.

What has happened to all of those pennies and nickels and dimes that get thrown into a glass jar or a box?

Mr. ROCHETTE. Eventually, they come back. Remember, we only have about two to three million collectors in the country and they could not take all of the production of the U.S. Mint.

I was trying to—after I talked—made my remark earlier, I was trying to think of how many vending machines there are in this country. Not only are there vending machines, but change machines, too.

You put a $1 bill in and you get your $1 in change. They have to have enough money in there for hundreds of people going by every single day.

And I don't think people have stopped to realize how much we have of an automated society that depends upon putting a piece of paper in and getting a coin back.

I think they eventually make their way back into circulation. But it is true, you do not see—people today are pulling the "wheat" cent out of circulation, as we did when I was a youngster pulling the Indian head cent out of circulation.

Senator CRANSTON. Thank you all very much. You have been very helpful.

We will now hear from our second panel, Beth Deisher and David Harper.

STATEMENT OF BETH DEISHER, EDITOR, COIN WORLD, SYDNEY OH

Ms. DEISHER. My name is Beth Deisher. I am editor of Coin World, the newspaper of record for the entire numismatic field. Published weekly in Sidney, Ohio, Coin World has the largest paid circulation of the six major periodicals published in the United States with specialized coverage of coin collecting.

Thank you for inviting Coin World to share the views of our readers and our editors on the important topic of modernizing the designs on United States circulating coins.

New designs for our Nation's circulating coins has been one of the most talked-about and written-about topics in the 28-year history of our publication.

While the current drive for new designs has for the past 12 months dominated the headlines of our news columns, has brought forth hundreds of letters to the editor, and has spawned no less than five editorials, Coin World has long been on record as advocating new designs for our circulating coins.

My predecessor, Margo Russell, who served as editor for 23 years, championed the cause for many years. I'd like to share a couple of brief excerpts from a December 28, 1977, editorial she wrote as she looked to the new year of 1978:

> We must have some new interest in our United States coinage system. Father Time as indeed caught up with it, especially when it comes to design changes.

After discussing each denomination's design and its longevity, Mrs. Russell ended with the following comments:

> . . . The coins of Caesar are still with us, delivering a message of history and civilization past. We can only hope our coins of the future will be more inspired, truer chronicles of our great Nation as it nears the 21st century.
>
> As much as we like Ike, respect and admire Abraham Lincoln and Thomas Jefferson, revere the father of our country beyond measure, honor Franklin D. Roosevelt and mourn after John F. Kennedy, these leaders have been sufficiently recorded on our coins for posterity. It's time for a change—not for change's sake—but for the sake of history.

Numismatists—those engaged in numismatics as a science and coin collecting as a hobby—have additionally taken the lead in chronicling coinage history. Indeed, to wear the badge of numismatist, one must be as versed in history and art as one is in the technological aspects of coinage production.

We take the view that coins should be more than simply functional and familiar. Coins are mirrors of a nation's culture. Indeed, they are pocket-size works of art that have throughout history reflected the aesthetic attainments and aspirations of various nations.

Often coins are one of the few survivors of a civilization. By studying an earlier civilization's coinage, we can verify not only facial characteristics of their leaders, but we often learn about aspects of the peoples' lives as mundane as the foods they ate.

We learn, too, about the more extraordinary happenings such as their military victories and their athletic accomplishments.

The coin designs also tell us about their ideals as a people or nation. Tha metallic content and degree of artistic achievement give us clues about the state of their economies and their advancement within the long trek toward mechanization.

Applying this to our own country, we find that our early heritage in U.S. coin design was to convey to the world at large our young Nation's ideals, expectations and values. Most of the designs were allegorical.

The move toward the presidential portrait series which we find on our circulating coins today, of course, began with the Lincoln portrait in 1909. We can point to no document or great study which recommended presidential portraits. Rather, this series simply evolved, more commemorative in nature than a planned or intended series.

We certainly have no quarrel with the artistic qualities of the presidential portraits. We simply state that each of these designs has had its place in history. We believe it is time for new designs.

The law specifically stating that designs should remain on our circulating coins for a period of 25 years unless expressly changed by directive of Congress is good. That ensures that design changes will not be made without due consideration and broad consensus.

But, conversely, empowering the Secretary of the Treasury to order a new design for a denomination after any certain design has remained on the coin for 25 years acknowledges the need and responsibility to keep designs current and reflective of our Nation's values and aspirations at specific intervals.

With the evolvement of the presidential series, a certain malaise appears to have trapped our decision makers and we find our country has endured the longest period in our history without major changes in the designs of our circulating coins.

Recent Secretaries of the Treasury have been reluctant to order new designs, for fear of political repercussions. Would they be labeled as the person or administration who took Lincoln, Jefferson, Roosevelt, Washington, or Kennedy off of the respective coins?

Thus, we have had a long period of official silence.

The Reagan Administration appears willing to pass the buck to Congress.

Congress, we find, has not only the courage to investigate the situation, but by holding this hearing you are demonstrating your

leadership role in an important area of our Nation's history and culture.

We enthusiastically urge you to leave no doubt that the legislative branch of Government favors new designs for our country's circulating coins.

We enthusiastically support S. 1776, with the exception of one line of the proposal. We call your attention to line 20 on page 2 of the bill as drafted. We would strongly urge the deletion of the words "contain the likeness of these currently displayed and".

The deletion would have the effect of opening the obverses of our circulating coins for consideration of new designs. The legislation as drafted simply mandates new portraits honoring the same five presidents who now grace these coins.

Although this concept may have been politically expedient at the time this proposal was drafted, we implore you to consider more thoroughly the ramifications, should this legislation become law.

By consciously continuing the presidential portraits and mandating that the portraits of these same five individuals be used, are we saying to our people and the world at large that only presidents of the United States are important and only these five men have made our country what it is today?

Remember, these designs are likely to take us into the 21st century.

Ironically, we have gone so long without new designs, our current coins have been relegated to the status of being "just there." Outside of coin collectors, how many in the general population can accurately relate the hows and whys which motivated the selection of our current designs?

Let me share with you an experiment which I conducted last year. During a conversation with four non-coin-collecting friends I interjected the topic of coin designs. Not one had the foggiest notion of how the designs came to be on our circulating coins.

Two—under 30 years of age—guessed that "they've always been there." Another ventured a guess that "only presidents could be on coins," and the fourth admitted: "I never really thought about it before. How did they get there?"

There are two additional facts that are important to know about these four individuals. All are college graduates and each appears to be successful in his or her chosen field of endeavor.

We have no doubt but what this experience could be replicated many times in virtually any part of our Nation. For the most part, the textbooks used in our Nation's public schools rarely mention coinage. Coins' most obvious use in texts are for an arithmetic function in the elementary grades. In general, we are a people vastly unaware of our coinage designs and coinage heritage.

There is little doubt that any change in the designs to our circulating coinage will focus the public's attention on coins. And this is why it is so important that the best decisions be made.

We would suggest that the best approach would be to move away from mandating presidential portraits, for simply refurbishing the current portraits could prove to be the greatest area of concern and the greatest area of controversy.

It has been our experience that our readers overwhelmingly favor new designs and the public at large, once it understands what is at issue, also favors new designs.

Last May, Coin World sponsored a petition in order to provide our readers with an opportunity to express their desires for new designs. Please understand, this was not an advertising campaign nor was it a lobbying attempt or numbers game. It was an opportunity for expression. More than 12,000 individuals signed the petitions which I delivered to Treasurer Katherine D. Ortega.

For me, one of the most interesting aspects of the petition drive was the fact that as I traveled across the country in my normal duties as editor, people would seek me out at coin shows and educational forums to talk about the idea of design changes.

Hundreds of individuals began their conversations with statements such as:

I want you to know that I'm 100 percent for design changes. **But I'm afraid to sign** this petition and there's just n way I would take this door to **door in my community.**

Their fears, I learned, were twofold: First, they were afraid of being identified in their communities as coin collectors because of safety and security concerns. Burglars often target collectors and coin dealers.

Second, they did not want their names to appear on lists. Despite assurances that the names on the petitions would not be divulged to any source other than Treasurer Ortega and her staff, it seems many people shy away from signing petitions these days.

Once these concerns were stated, the conversations would turn to the desire for new designs and the most appropriate themes for new designs. The vast majority of people who have expressed opinions to Coin World, either in person or by letter—samples of which are attached to this statement—advocate new designs reflecting our Nation's ideals, values, and accomplishments.

Discussions focusing on the presidential portraits often prompted sincere questioning of why only these five presidents have been selected for the honor of appearing on U.S. coins. Often, Presidents such as Madison are singled out as sadly overlooked.

This dialogue with our readers and the public in general has also brought us to the realization that various segments of our population today are sensitive to various deeds and actions, no matter how great a status history accords a hero.

For example, there are those who would point out that our five circulating coins contain the portraits of two slave owners, a man who suspended much of the Bill of Rights during an internal rebellion, another leader who placed fellow American citizens in "detention" camps because of their racial heritage, and a president whose dislike for a leader of nearby island nation is said to have played a role in his ordering a military invasion and advocating the overthrow of that leader.

Shocking, isn't it?

Of course, the references are to George Washington and Thomas Jefferson, both of whom owned slaves; Abraham Lincoln, who during the Civil War, routinely flouted the Constitution and the Bill of Rights in the name of preserving the Union; Franklin D.

Roosevelt, who ordered the detention during World War II of American citizens merely for the "crime" of having a Japanese heritage; and John F. Kennedy, whose dislike of Fidel Castro is said to have played a part in his ordering the Bay of Pigs invasion and, if some reports are to be believed, may have condoned the attempted assassination of the Cuban leader.

Our purpose in using this illustration is surely not to detract from the great contributions each of these presidents has made to our great Nation. Rather it is to point to the problems inherent in using portraits of individuals, no matter how beloved at the time. Different generations see events and actions in different lights.

We can appreciate the fact that our Nation's capital and the halls of Congress today are overflowing with lobbyists representing special interest groups. It would be difficult indeed to gain any consensus of who would replace Washington, Jefferson, Lincoln, Roosevelt, and Kennedy, if we were to attempt to do so with other individuals.

We would recommend that a better choice would be to honor America:

What our Nation has accomplished. What our Nation represents. What our Nation seeks to be.

It is not our purpose here to specify a design for each denomination, nor do we believe that it would be a prudent step for the legislation to take. Rather, we would point to broad themes such as those enunciated in our Declaration of Independence and our Constitution:

Life, Liberty, Freedom, Human Dignity, Self-Reliance, Individual Responsibility, Opportunity, and Tolerance. Also worthy of exploration are American achievement, invention, and compassion.

We would trust contemporary American artists to interpret such great themes for appropriate designs on our coins.

We vigorously support the concept of compensated design competitions to ensure that the very best of American art can be assured **for our coins.**

These are exciting and challenging times for our country. How fortunate we are to have Elizabeth Jones as Chief Sculptor-Engraver of the United States Mint. Her work is acclaimed worldwide by her peers in the art community and her designs in the modern commemorative series, such as the 1986 Statute of Liberty, no doubt have played a major role in awakening the numismatic community to the fact that our coins can be both beautiful and meaningful in today's world. Our coins should not only speak to our people, but they should be proud calling cards in the world community.

We would urge the Secretary of the Treasury to form an Advisory Committee on Coinage Design which would be responsible for conducting design competitions judged by professional artists and/or those with recognized art credentials.

We would suggest that such an advisory panel include artists experienced in a variety of disciplines, especially medallic art and sculpture.

Such an advisory committee would in no way duplicate the function of the Commission of Fine Arts, whose specific role is to review selected designs and make suggestions to the Secretary as to needed refinements in designs which he selects.

Some have tried to portray the current effort to bring about new designs for our circulating coins as a special interest of coin collectors.

The call for new designs is a special interest and a special responsibility we in the numismatic community pursue with pride.

For it is we who have the expertise to bring out the points which should and must be considered. There is certainly historical precedent for the numismatic community providing its guidance in this important but highly specialized facet of our Nation's life.

Those acquainted with numismatic history are very aware that the American Numismatic Association played a key role in bringing about the beautiful Peace dollar design. It is well-documented how leaders of the American Numismatic Society were largely responsible for the Saint-Gaudens double eagle and eagle designs as well as the Bela L. Pratt half eagle and quarter eagle.

The ANS formed a committee to urge President Theodore Roosevelt to consider a more artistic coinage, prepared resolutions, drew up plans for a contest among sculptors to design new coins, greeted the new Lincoln head cent in 1909 with pride, and considered it a major victory when the government recognized the wisdom of redesigning fractional currency, including the new Indian Head 5-cent piece with the Buffalo reverse, the Winged Liberty Head or "Mercury" dime, the Walking Liberty half dollar and the quarter dollar featuring the Standing Liberty design.

Proudly we note that the numismatic community was instrumental in helping to bring about some of the most artistically acclaimed and beloved coinage designs in our nation's history.

But that was at the beginning of the 20th century. Those designs are no longer in circulation to inspire our people. Few beyond coin collectors ever see them any more.

We view it as a special responsibility and indeed as part of our legacy to provide the leadership in the area of coinage redesign.

Some have advocated a change in designs in the belief that it could generate huge profits from seignorage or from the sale of collector sets. Our analysis leads us to believe that such is a remote possibility.

A more realistic view, we believe, is that seignorage revenue and sales of collector sets may slightly surpass recent levels.

Our support for design changes is not based on an ability to generate profits. Rather we believe design changes can be accomplished with no net cost to the American taxpayer.

We believe new designs for our circulating coins are desirable. We believe our great nation deserves to once again have beautiful and inspiring designs. We believe those designs should honor America. And we believe new designs can and should lead us into the 21st century.

I would like to state for the record that we enthusiastically support the amendments Senator Cranston announced at the beginning of the hearing this morning.

Senator ARMSTRONG [presiding]. Thank you very much for that testimony.

And now I'm sure that you have all heard of Pavlov. And you will have been hearing the bells that are ringing, and it will be necessary for the Members of the Congress to go over to the floor and vote, as there is this reaction, the Pavlov reaction, that requires us to go do that.

And so, Mr. Harper, if you would wait until after our recess, which will be 8 or 9 minutes—and if Senator Cranston comes back before I do, then he will continue the hearing. Otherwise, I will come back and chair the hearing in approximately 10 minutes, more or less.

[Recess.]

Senator CRANSTON. The hearing will please come to order. We will now hear from our final witness, David Harper, Editor of Numismatic News.

Mr. HARPER. Mr. Chairman, I'm very glad to be here today, and I'm glad you came back.

Senator CRANSTON. Where you worried?

Mr. HARPER. Just a little.

DAVID C. HARPER, EDITOR, NUMISMATIC NEWS, IOLA, WI

Mr. HARPER. I am here to strongly endorse the changing of the designs on behalf of the Nation's millions of coin collectors, on behalf of the firm for which I work, which, for 36 years, has kept its fingers on the pulse of the Nation's coin collectors.

The terms of the legislation would make everyone winners, and I am delighted to see all of the positive testimony here today. Coin collectors would have new coin issues to collect; artists would have an unparalleled opportunity to have their work appreciated by millions; and the American people would have a once in a generation opportunity to become personally involved with their coins, to appreciate the historical contributions made by the Presidents who appear on them.

And, finally, the Federal Government would make an enormous sum of money during the 6 year phase-in period of the new coin designs,

If I am here for no other reason, I am here because I am the author of profit figure that has become famous and it has taken on a life of its own.

Last November, I published an estimate of $2.3 billion in profits that would accrue from design changes.

I am here to repeat that figure and to provide this panel with supporting data. I would invite you now to look at page 5 of my prepared statement. This estimate of $216 million was my first one. It was published July 7, 1987. It is a 1-year figure based on the assumptions that all five coin designs would be changed within 1 year and that no fanfare would accompany the changes.

Because of the introduction of Senate Bill 1776, the terms of debate were changed, so I had to change my estimate. The introduction period was changed to 6 years from one and the purpose of the exercise as I understand it is to generate maximum publicity and maximum profit.

Calendar No. 756

100th CONGRESS *2d Session*	SENATE	REPORT 100-396

TO MODERNIZE UNITED STATES CIRCULATING COIN DESIGNS, OF WHICH ONE REVERSE WILL HAVE A THEME OF THE BICENTENNIAL OF THE CONSTITUTION

REPORT

OF THE

COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS UNITED STATES SENATE

TO ACCOMPANY

S. 1776

JUNE 23, 1988.—Ordered to be printed

U.S. GOVERNMENT PRINTING OFFICE
19-010 WASHINGTON : 1988

209

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Calendar No. 756

100TH CONGRESS
2d Session

SENATE

REPORT
100-396

MODERNIZING U.S. CIRCULATING COIN DESIGNS, OF WHICH ONE REVERSE WILL HAVE A THEME OF THE BICENTENNIAL OF THE CONSTITUTION

JUNE 23, 1988.—Ordered to be printed

Mr. PROXMIRE, from the Committee on Banking, Housing, and Urban Affairs, submitted the following

REPORT

[To accompany S. 1776]

INTRODUCTION

The Senate Committee on Banking, Housing, and Urban Affairs, to which was referred the bill (S. 1776) to authorize the Secretary of the Treasury to modernize United States circulating coin designs, approved the bill on May 24, 1988, with amendments, reports favorably thereon and recommends that the bill as amended do pass.

PURPOSE OF THE LEGISLATION

S. 1776, as amended and approved by the Senate Committee on Banking, Housing, and Urban Affairs, authorizes the redesign of the reverses of United States circulating coins. The first reverse redesigned shall have a design commemorating the 200th anniversary of the United States Constitution. Specific thematic representations, while not exclusive, are suggested for consideration. The portraits on the obverses of the coins shall be considered for redesign.

HISTORY OF THE LEGISLATION

The introduction of S. 1776 by Senator William Armstrong on October 8, 1987, was the culmination of years of advocating changing the designs on United States circulating coinage. Primary reasons given for supporting this legislation now were: (1) the current designs did not adequately represent American's values and ideals today; and (2) that revenues generated from implementing this program would accrue to the government in the amount of $2–3 billion. The American Numismatic Association's Board of Governors passed a resolution on February 25, 1987 recommending changes in the designs of all five circulating U.S. coins.[1] The United States Commission of Fine Arts[2] also unanimously passed a resolution on April 16, 1987 advocating consideration, in a timely way, of changing the obverse and reverse designs of U.S. circulating coinage and to do so by invited compensated competition.

A hearing on this legislation was held by the Banking Committee on April 22, 1988. Although the Secretary of the Treasury has the discretionary authority to propose design changes once a design has been on either side of a coin for 25 years, the Department had been silent regarding this proposal.

(Mrs.) Elvira Clain-Stefanelli, the Executive Director of the National Numismatic Collection at the Smithsonian Institution, eloquently summed up the essence of the purpose of S. 1776 when she testified: "It is my personal conviction that our coinage could only gain if it were to express our notions of liberty, progress, freedom, and democracy in a way which could find an echo in the hearts of our own generation. And since any coinage is the emblem of its country, this new coinage should stand for the entire world as an inspiring testimony of our accomplishments and of our goals as a nation today." [1]

Also at that hearing, (Mrs.) Donna Pope, Director of the United States Mint, testified that the Treasury Department found generally nothing objectionable to this legislation. Mrs. Pope indicated that they believed it was possible, over a 6 year span, to implement new coin designs as prescribed in S. 1776. Mrs. Pope went on to outline the technical problems inherent with designing new coins, from the production of coin dies to trial strikes, to providing an adequate inventory for general release.

Mrs. Pope indicated that if the legislation were enacted by October 1988, Treasury would introduce the design commemorating the 200th anniversary of the Constitution on the quarter during the first year; change the design of the half-dollar the second year; replace the commemorative design on the quarter with a new design the third year; change the nickel the fourth year; the dime the fifth year; and the penny would change in the sixth year.

Mrs. Pope indicated that each of the six design changes is expected to cost approximately $125,000 for engraving and production testing. In addition, an estimated $7.1 million would be required to produce the additional coins needed over the six-year phase-in

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[1] The American Numismatic Association is a federally chartered nonprofit educational organization of approximately 35,000 members. ANA was founded on October 7, 1891. President Taft signed legislation granting it a federal charter on May 9, 1912. Pub. L. No. 62–147, 36 Stat. 108. It is the world's largest organization for collectors of coins, tokens, medals and paper money.

[2] The Commission of Fine Arts is a federally-chartered organization established by Congress on May 17, 1910. 36 Stat. 371; 40 U.S.C. 104, 106. The Commission supplies artistic advice relating to the appearance of Washington, DC. It reviews the plans for all public buildings, parks, and other architectural elements in the Capital and for private structures in certain areas of the city. The Commission also provides advice to the Secretary of the Treasury with regard to coinage and medallic designs.

[1] *From testimony presented before the Committee on Banking, Housing, and Urban Affairs, United States Senate,* Washington, DC. April 22, 1988.

period. A public education campaign may be advisable also. This would necessitate adding these expenses to the Mint's budget.

In addressing the issue of numismatic interest in the new coins, and the revenues this would generate, Mrs. Pope went on to state that the temporary change in the reverse design of the Bicentennial quarter would add numismatic character to the quarter and the potential withdrawal of large numbers of this coin. It was pointed out that research done in 1987 revealed an abnormal removal of the 1976 Bicentennial of Independence quarters. Only 38 percent of the coins expected were present, based on normal attrition rates, due to the public pulling the coins out of circulation.

Based on that experience, Treasury estimated that, in addition to the approximately 1.4 billion quarters needed in each of the years 1990 and 1991, an estimated 12 percent withdrawal of the new coin in the first and second years will necessitate an increase in production of 170 million quarters in each of those two years. Through 1995, 985 million quarters would be needed above normal demand due to the high attrition of this seminumismatic coin.

With resepct to long-term design changes, the Mint anticipates a 6 percent withdrawal of the new design during the first year each newly designed coin is introduced. After this initial withdrawal, there would not be a significant demand for the redesigned coin, above normal requirements, until 8 years after the change. At that time, based on experience with the "wheat" cent, the old coins would be pulled out of circulation in increasing volume and would necessitate increased production of the new design(s).[1]

Mrs. Pope went on to say that if S. 1776 is enacted, Treasury beleives a total of 2.015 billion coins, above normal demand, over the 6 year period will be required. Existing coin production capacity, and planned equipment purchases and modifications would allow the Mint to meet coin demand through 1995, provided all other factors remain stable. Eight years after the redesign of the coinage, significant increases in demand could be expected, especially between the years 1998 and 2011.

In addressing the issue of revenue enhancements, Mrs. Pope pointed out that certain revenue enhancements would accrue as a result of design changes, derived from predicted increases in the sale of numismatic sets and from predicted increased seigniorage. Seigniorage refers to the difference between the face value of coin and its production costs. Based on analyses of past demand patterns, the Mint estimates that $224 million in additional seigniorage receipts would be generated in the first 6 years of the new designs. Seigniorage is often called the "profit" from coin production. It is not an on-budget receipt and does not directly offset expenditures. Seigniorage in itself does not reduce the budget deficit. As an off-budget miscellaneous receipt, it is subtracted from the amount of the annual deficit to determine how much money must be borrowed from the capital markets.

[1] This estimate is based on a Research Triangle Institute analysis of the 1959 conversion from the "wheat" cont to the Lincoln Memorial cent, which did not reveal any preferential withdrawal of the "wheat" cent until the eighth year after the conversion. From testimony presented *before the Committee on Banking, Housing, and Urban affairs, United States Senate, by Donna Pope, Director, United States Mint,* Washington, DC. April 22, 1988.

By deceasing the amounts which must be borrowed from the public, it reduces the *interest* which must be paid on these borrowings. The Treasury's Comptroller has estimated that for every $100 million of seigniorage generated during 1987, $5.9 million in interest costs were saved. Consequently, the estimated $224 million in additional seigniorage that would be raised by the design changes mandated in S. 1776 would *reduce budget outlays* by approximately $2.2 million per year.

An additional $3 million per year over the six-year period could be realized in sales of uncirculated and preof sets of coins containing the newly redesigned coin(s). This increase in demand for new sets is estimated at about 500,000. While S. 1776 earmarks these funds for debt reduction, it is not necessary, as legislation already exists that require these fund to be deposited into the general fund of the Treasury to reduce the national debt. Section 5132(a)(1) of title 31, United States Code.

Background [1]

Early history of U.S. coins

With the establishment of successful colonies in North America in the early 1600's, the colonists began to produce coins. The Massachusetts Bay Colony began producing silver shillings, sixpence, and threepence in 1652. With the adoption of the Articles of Confederation in 1778, States were permitted to issue their own coins, while Congress fixed a uniform standard of weights and measures. Only three of the 13 States chose to strike coins for circulation: Connecticut, Massachusetts, and New Jersey. Vermont, the 14th State, had struck coins before it entered the Union. Most of the States' coins were produced by private manufacturers under contract to the States. Massachusetts operated its own mint for 2 years—1787 and 1788.

The Federal Government, still organized under the Articles of Confederation, recognized the need for a standard coinage. On April 21, 1787, it ordered a copper coin to be produced (under private contract) under Federal inspection. The *Fugio* copper cents, which resulted from this action, is generally acknowledged to be the first coins produced by the United States Government. They are named for the Latin motto "Fugio" ("I fly") which appears on the coins' obverse. A sundial is depicted on the obverse, as well as the legend "Mind Your Business." This legend supposedly stresses the need for small business ventures. On the reverse are 13 linked rings to symbolize the 13 States, surrounding the legends "United States" and "We Are One." However, because of the confusion caused by the wide variety of coinage circulating—from English shillings to Spanish doubloons to privately issued tokens—the United States monetary system was established in 1792.[1]

The Act of April 2, 1792, signed by President George Washington, created the first United States Mint in the city of Philadel-

[1] *Source: Coin World Almanac:* A Handbook for Coin Collectors, Fifth Ed., 1987. Amos Press, *Inc., Sidney, OH 45365. 1987.*

[1] *The early history of attempts to develop coinage and establish a mint between 1775 and 1792 is well documented in Don Taxay's book, The U.S. Mint and Coinage. An Illustrated History From 1776 to the Present.* Sanford J. Durst Numismatic Publications, New York, 1983.

phia, which was then the Nation's capital. Section 10 of the Act required that one side of each of the coins depict "an impression emblematic of liberty, with an inscription of the word 'Liberty,' and the year of the coinage; and upon the reverse of each of the gold and silver coins there shall be the figure or representation of an eagle, with the inscription, 'United States of America' and upon the reverse of each of the copper coins, there shall be an inscription which shall express the denomination of the piece, namely, cent or half cent, as the case may require." [1] It authorized 10 denominations of coins. The gold coins were: a $10 Eagle; a $5 Half Eagle; a $2.50 Quarter Eagle. Silver coins authorized were: a dollar, half dollar, quarter dollar, dime, and half dime. In copper, the cent and half cent were struck, although neither of these had legal tender status. The United States Mint, under the direction of David Rittenhouse, began coining money at Philadelphia in 1793.

Production began with the minting of copper half cents and cents. Silver coinage was minted beginning in 1794 with half dimes, half dollars and dollars; silver dimes and quarter dollars were minted in 1796. Gold coinage was minted in 1795 with the Half Eagle ($5) and the Eagle ($10); followed by the Quarter Eagle ($2.50) in 1796.

During the early years of the U.S. Mint, not all denominations were struck in all years. Silver dollars were not struck from 1804 until 1836. Gold Eagles ceased being produced in 1804 also, and resumption of their minting did not occur until 1838. Production of the other denominations was sporadic except for the cent. A fire at the Mint resulted in no cents being struck in 1815, but otherwise the chain has been unbroken since 1793.

Between 1849 and 1857, various pieces of legislation resulted in new denominations of coins to meet the country's growing monetary demands. As a result of the beginning of the American Civil War in 1861, massive hoarding of coins necessitated the creation of coinage substitutes such as postage stamps, privately produced copper-alloy tokens, and finally, the first Federal paper money.

The Act of February 12, 1873—sometimes called the "Crime of '73"—among other things, resulted in the abolition of four denominations: the 2-cent coin, the silver 3-cent coin, the half dime, and the silver dollar. A Trade silver dollar was authorized for use by merchants in the Orient. A year later, Congress revoked that coin's legal tender status in the United States. Legislation in 1875 and 1878 resulted in two new silver pieces respectively: the 20-cent piece, and the reinstitution of the standard silver dollar. Coinage denominations in use continued unchanged through 1889, at which time the gold dollar and gold $3 were struck for the last time.

Since the Mint Act of 1875, only two new denominations have been authorized: in 1915, a gold $50 piece was authorized to commemorate the Panama-Pacific Exposition held in San Francisco. In 1986, the first $25 gold coin was authorized—the American Eagle half-ounce bullion coin; the $50 gold piece was also revived in the form of the American Eagle one-ounce bullion coin, Act of Decem-

[1] *Don Taxay, The U.S. Mint and Coinage.* An Illustrated History From 1776 to the Present Sanford J. Durst Numismatic Publications, New York, 1983.

ber 17, 1986, Pub. L. No. 99–185. None of these coins were intended for general circulation.

HISTORY OF U.S. COIN DESIGNS

The history behind the designs of United States coinage encompasses artistic endeavor, repetition of themes, political favortism, and criticism. Legislation enacted nearly 200 years age affect coin designs even today. The Mint Act of April 2, 1792 specified certain design features and legends appear on all coins authorized. On one side was to be an impression symbolic of Liberty, as well as the word "Liberty" and the year of striking. The word "Liberty" and the date of striking still appear on the obverse of our coins today. For more than 115 years, Liberty was portrayed by allegorical female figures, either a bust or a full-length portrait. Because the Mint Act of 1792 required only that the denomination appear on the reverses of the copper coins, the Mint engravers were relatively free to experiment. However, experimentation lent itself to criticism. For example, the design on the reverse of the first cents in 1793 lasted only months, due to harsh criticism. The design—a 15-link chain—was meant to represent the unity of the 15 states. However, the public's perception was that the chain was symbolic of enslavement and represented a "bad omen" for Liberty.

Several events took place in the mid-1830's that were to affect coin designs for decades. Among them was the Act of January 18, 1837, which eliminted the need for an eagle on the reverses of the half dime and dime. The introduction of the "Seated Liberty" design on the obverse of the silver dollar and the Flying Eagle design on its reverse in 1836 usherod in an era of uniformity. The Seated Liberty was placed on the half dime and dime in 1837, the quarter dollar in 1838, and the half dollar in 1839. The Seated Liberty design was finally retired at the end of 1891. Eagles appeared on the new quarter dollar and half dollar in 1837; and the dollar received a new eagle design in 1840 which was similar to those on the quarter and half dollar. Gold coins, too, adopted a uniform look. The Coronet (or Liberty Head) design appeared on the Eagle in 1838; on the Half Eagle in 1839; and on the Quarter Eagle in 1840. The Coronet design was used for both the gold dollar and Double Eagle in 1849. Only the redesign of the gold dollar in 1854 broke this uniformity, when the Coronet figure was replaced with a pseudo-Indian head portrait, designed by James Longacre.

Several non-allegorical designs began to appear on our coinage in the 1850's. The obverse of the silver 3-cent piece is a six-point star. The reverse is the Roman numeral III inside a large letter "C". The obverses of the 2-cent piece and 5-cent piece have shields. The silver dollar was reinstated in 1878 with a Liberty Head design on the obverse and an eagle on the reverse. This silver dollar, which reinstate the Liberty motif, is often referred to as the "Morgan" dollar, named after the Mint's Engraver George T. Morgan, who created the design.

The "Golden Age of U.S. Coin Designs" began in 1907 when Augustus Saint-Gaudens, a renown U.S. sculptor, was asked by President Theodore Roosevelt to create coin designs that Roosevelt hoped would rival those of ancient Greece. Saint-Gaudens' designs were chosen for the $10 Eagle and $20 Double Eagle gold coins. The $10 coin depicts an allegorical Liberty Head wearing an Indian headdress on the obverse, and a Standing Eagle on the reverse. The Double Eagle depicts a Standing Liberty with rays of the sun behind her on the obverse, and a Flying Eagle design on the reverse. Saint-Gaudens' Liberty design on the Double Eagle (1907–1933) has been considered by many as one of the most beautiful coin designs ever, and was chosen for the obverses of the American Gold Bullion coins struck since 1986. Pub. L. No. 99–185.

This "golden age" continued into 1908 when new designs for the Quarter Eagle and Half Eagle gold coins were commissioned. Both coins depicted an American Indian on the obverse, and a Standing Eagle on the reverse. These were the first true Indians to appear on United States coins.

DESIGN HISTORY OF CURRENT COINS

Lincoln Cent.—The first of our most familiar coinage was introduced in 1909. When the Lincoln cent was first struck and circulated that year, it marked a radical departure from traditional coinage designs. It was the first time the portrait of a real person appeared on circulating coins. Public sentiment created by the 100th anniversary celebration of Abraham Lincoln's birthday provided the impetus to completely break with the tradition of using allegorical representations on circulating coins. President Theodore Roosevelt had been so impressed by the work of sculptor Victor David Brenner that he singled him out for the task of designing the Lincoln cent.

Brenner adapted a Lincoln portrait from a plaque he had previously created. Besides the required inscriptions—"Liberty" and the date—the motto "In God We Trust" was added to the obverse of the cent for the first time. Interestingly, it was during Lincoln's tenure of office that Congress had passed the Act of March 3, 1865 which authorized the use of this expression on United States coins. However, it had been used only sporadically until 1909. A simple design was selected for the reverse. It consisted of two ears of wheat in "memorial" style. In the center of the coin were the denomination and "United States of America"; while curving around the upper border was the national motto, "E Pluribus Unum." The Lincoln cent was put into circulation on August 2, 1909.

It was in 1959 that the reverse of the Lincoln cent was redesigned, to coincide with Lincoln's 150th birthday. Frank Gasparro, Assistant Sculptor-Engraver of the U.S. Mint, designed and executed the now-familiar Lincoln Memorial reverse. It went into circulation on February 12, 1959. Under title 31, the Secretary of the Treasury has the discretionary authority to select new coin designs as follows: "The Secretary may change the design . . . of a coin only once within 25 years of the first adoption of the design . . . for that coin." Section 5112(d)(2) of title 31, United States Code. No legislation was required to change the design of the reverse of the cent, ad the "wheat" cent had been in circulation for more than the required 25 years.

Jefferson Nickel.—The Thomas Jefferson Nickel was introduc into circulation on November 15, 1938, after a national contest.

held for the obverse and reverse designs. The coin was designed by Flex Schlag of Chicago, IL, who because a naturalized citizen in 1929. The Jefferson portrait is on the obverse; and the likeness of Monticello, the President's home in Virginia, is on the reverse. These designs replaced the famous "buffalo" nickel. Oddly, the design for which that nickel is most often remembered is the reverse design, while the obverse is that of the American Indian.

Even though law did not yet require the phrase IN GOD WE TRUST to appear on the nickel, it was placed on the nickel at the request of the then-Director of the Mint, Nellie Tayloe Ross. It was the first time that motto had appeared on the five-cent piece since 1883.[1]

Roosevelt Dime.—Soon after President Franklin D. Roosevelt died in 1945, letters from all around the country poured into the Treasury Department urging his portrait be placed on a U.S. coin. The dime was most frequently suggested, as President Roosevelt had been a strong advocate of the March of Dimes drives to raise money for the Infantile Paralysis Fund. Because the then-current Winged Liberty Head design had been on the dime over 25 years, no special legislation was required to approve the new design. John R. Sinnock, Chief Sculptor-Engraver of the U.S. Mint, executed the designs. Roosevelt's portrait appears on the obverse; in the center of the reverse is a torch with an olive branch on the left and an oak branch on the right. The Roosevelt dime was released into circulation on January 30, 1946—the late President's birthday.

Washington Quarter.—An Act of Congress was required to replace the Standing Liberty design on the quarter, as it had not been on the coin for the required 25 years (1916–1930). Congress passed the authorization act on March 4, 1931, to commemorate the 200th birthday of George Washington. John Flanagan's designs were selected from among 100 models submitted. Although the Treasury Department worked in close cooperation with the Commission of Fine Arts, the Commission did not agree with the Treasury Department's design selection. Because the law gives the Secretary of the Treasury the right to make the final selection, the work of Flanagan was chosen over the Commission's objections. Section 5112(b)(2) of title 31, United States Code, The Washington quarter was released to the public on August 1, 1932.

The obverse of the coin shows the portrait of Washington. The reverse shows an eagle with its wings spread, standing on a shaft of arrows. Beneath the eagle are two sprays of olive leaves.

Kennedy Half Dollar.—John Fitzerald Kennedy was inaugurated President of the United States on January 20, 1961. His assassination on November 22, 1963 resulted in tremendous public sentiment to memorialize him. On December 10, 1963, President Lyndon B. Johnson sent a request to Congress for legislation authorizing the Treasury Department to mint new half-dollars with Kennedy's likeness. An Act of Congress was required to do this, as the Benjamin Franklin half-dollar design had not been on the coin for 25

[1] *It wasn't until legislation was approved on July 11, 1955 that the motto "In God We Trust" was required to appear on all coins of the United States. Acts passed on April 22, 1864, March 3, 1865, February 12, 1873, and May 18, 1908 made it mandatory on various other coins in circulation at those times.*

years (1948–1963). Legislation was passed on December 30, 1963 authorizing the U.S. Mint to begin production of the Kennedy half-dollar. Pub. L. No. 88–256.

Gilroy Roberts, Chief Sculptor-Engraver of the U.S. Mint, had been working on a portrait of Kennedy for a presidential medal before the President's death. Roberts' portrait was adapted and scaled down for the coin. Frank Gasparro, of the Philadelphia Mint staff, executed the reserve of the half-dollar. The coat of arms of the President of the United States was selected. The eagle faces to its right—traditionally the direction of honor—and also toward the olive branches (for peace) which it holds in its right talon. Arrows (symbolic of war) are held in its left talon. Twenty-six million half-dollars were released directly to the Federal Reserve banks and branches for simultaneous distribution to the public through the commerical banking system on March 24, 1964.

Susan B. Anthony Dollar.—President Jimmy Carter signed legislation on October 10, 1978 authorizing the smaller-sized 1.042 inches in diameter) Susan B. Anthony dollar coin. Pub. L. No. 95–447. This coin replaced the larger (1.500 inches in diameter) Dwight D. Eisenhower dollar, which circulated from 1971–1978.

Frank Gasparro, Chief Engraver-Sculptor of the Mint, designed the obverse and reverse. The obverse contains the portrait of Susan B. Anthony and has interior markings to simulate a multi-sided coin—ostensibly to help the visually impaired identify the coin, but also to give it a measure of distinction. The reverse depicts the bald eagle symbolic of the Applo II spaceship christened "The Eagle", landing on the surface of the moon, clutching on olive branch in both claws. The receding earth appears above the eagle's head. The 13 stars surrounding the eagle represent the first states of the Union.

The first coins were struck at the Philadelphia Mint on December 13, 1978, with 1979 dates. The Mint mark "P" was used for the first time since the "Wartime" nickels of World War II. Despite the hope that using the Anthony dollar coins would save the Treasury Department $30 million a year because of a reduced demand for $1 Federal Reserve notes, the Anthony dollar coin never successfully circulated. None have been produced since 1981, although the law autherizing the dollar coin is still extant. The Susan B. Anthony dollar coin design is not eligible for redesign until the year 2004.

Summary of the Legislation

As ordered reported by the Banking Committee, the bill "To modernize United States circulating coin designs" authorizes the Secretary of the Treasury to select and mint new designs for the reverses of the half-dollar, quarter, dime, nickel, and cent. The first coin chosen for redesign shall have a design commemorating the 200th anniversary of the United States Constitution. This design will remain on that coin for a period of two years, after which that Bicentennial coin shall be redesigned also. Obverses shall contain the likenesses of those currently on, but may be considered for redesign. Phase-in of the redesigning of the five circulating coins shall take place over a six-year period. Any profits resulting from the sale of numismatic items of the newly designed coins shall deposited in the general fund of the Treasury and be used to reduce the national debt.

Five amendments were offered during the mark-up. Senator Cranston offered an amendment in the nature of a technical correction to insert "United States Code" in three places where it had inadvertently been left out. This was approved. Senator Cranston next offered an amendment to *Section 4: Selection of Designs*. His amendment specified that the Secretary shall consider, among others, thematic representations of specifically named constitutional concepts. Senator Gramm offered a second degree amendment to Senator Cranston's amendment to include themes from the Bill of Rights. Both were accepted. Senator Cranston's third amendment dealt with the trend of using American coins to commemorate its Presidents. He noted that in the first 116 years of American coinage, coins bere symbols of liberty almost exclusively. It was not until 1909 that the likeness of a President was placed on a coin. S. 1776 would continue this trend by virtue of mandating the Presidential likenesses remain on the obverses. Senator Cranston's amendment proposed that only three of the five coins continue to display Presidential portraits. The other two coins would depict allegorical designs, such as proposed earlier.

This amendment generated a discussion as to who determines which Presidents would be removed and its consequences. Senator Cranston withdrew his amendment. Senator Sarbanes then raised the question of whether section 3 of S. 1776 has the effect of locking in the Presidential portraits in perpetuity. Staff noted that under current law (section 5112(d)(2) of title 31, United States Code), the Secretary of the Treasury has discretion on that issue.

Staff further replies that it was never the intent of S. 1776 to take away this discretionary authority from the Secretary, nor to lock in the Presidential portraits. The intention of section 3 was to retain the Presidential portraits only during the period of the redesign of the reverses.

The fifth amendment was offered by Senator D'Amato after a discussion ensued as to whether the inscriptions currently on the coins could be considered for revision or elimination. Staff replied that S. 1776 in no way affects section 5112(d)(1) of title 31, United States Code. That section mandates the following inscriptions on the obverse: "Liberty, In God We Trust," and the date of issuance; the reverse shall contain: "United States of America, E Pluribus Unum," and a designation of the value of the coin. Senator D'Amato's amendment added a sentence to sections 2 and 3 of this Act to make it clear that all redesigned obverses and reverses shall conform with inscription requirements set forth in section 5112(d)(1).

Section-by-Section Analysis

Section 1—Denominations, Specifications, and Design of Coins

The requirement that the Eagle appear on the reverse of the quarter dollar and half dollar has been eliminated in section 5112(d)(1) of title 31, United States Code. This permits the Secretary to consider any designs for the reverses of these coins.

Section 2—Design Changes Required for Certain Coins

The reverses of the half-dollar, quarter dollar, dime coin, 5-cent coin, and one-cent coin shall be selected for redesigning. One or more coins may be selected at the same time. However, the first redesigned coin shall have a design commemorating the 200th anniversary of the United States Constitution for a two-year period. After that time period, the Bicentennial Constitution coin shall be redesigned according to the provisions of subsection 5112(d) of title 31, United States Code, as amended.

Selection and minting of the first redesigned coin shall take place within one year after the date of enactment of this Act. All redesigned coins shall contain the mandated inscriptions as defined in subsection (d)(1) of section 5112.

Section 3—Design on Obverse Side of Coins

Subject to Section 5112(d), the designs on the obverses of the five coins shall retain the likenesses of those currently on them, and be considered for rodesign. All obverses shall contain the mandated inscriptions as defined in subsection (d)(1) of section 5112.

Section 4—Selection of Designs

Design changes authorized for each coin will take place at the discretion of the Secretary of the Treasury, at the rate of one or more coins per year. All redesigned coins will be phased in over 6 years after the enactment of this Act.

For new designs, the Secretary is directed to consider, among other factors, thematic representations of the following constitutional concepts: freedom of speech and assembly; freedom of the press; right to due process of law; right to a trial by jury; right to equal protection under the law; right to vote; themes from the Bill of Rights; and separation of powers, including the independence of the judiciary. Designs shall be selected by the Secretary upon consultation with the United States Commission of Fine Arts.

Section 5—Reduction of the National Debt

Profits received from the sale of uncirculated and proof sets of the redesigned coins will be deposited in the general fund of the Treasury and used to reduce the national debt.

Regulatory Impact Statement

Pursuant to Rule XXVI, paragraph 11(b), of the Standing Rules of the Senate, the Committee has evaluated the regulatory impact of the bill and concludes it would result in no increase in the regulatory burden imposed by the Government.

Changes In Existing Law

The Committee has determined that it is necessary, in order to expedite the business of the Senate, to dispense with the requirements of Rule XXVI, paragraph 12, of the Standing Rules of the Senate, with respect to this legislation.

12

Cost of Legislation

The Committee has requested a cost estimate of this legislation under the provision of section 403 of the Congressional Budget Act of 1974. The cost estimate of the Congressional Budget Office appears below:

U.S. Congress,
Congressional Budget Office,
Washington, DC, June 22, 1988.

Hon. William V. Proxmire,
Chairman, Committee on Banking, Housing, and Urban Affairs, U.S. Senate, Washington, DC.

Dear Mr. Chairman: The Congressional Budget Office has prepared the attached cost estimate for S. 1776, a bill to modernize United States circulating coin designs, of which one reverse will have a theme of the Bicentennial of the Constitution.

If you wish further details on this estimate, we will be pleased to provide them.

Sincerely,

James L. Blum, *Acting Director.*

Congressional Budget Office Cost Estimate

1. Bill number: S. 1776.
2. Bill title: A bill to modernize United States circulating coin designs, of which one reverse will have a theme of the Bicentennial of the Constitution.
3. Bill status: As ordered reported by the Senate Committee on Banking, Housing, and Urban Affairs, May 24, 1988.
4. Bill purpose: The bill would authorize the Secretary of the Treasury to redesign, over a six-year period, the reverse side of the half dollar, quarter dollar, dime coin, five-cent coin, and one-cent coin. The bill would direct that the profits from the sale of uncirculated and proof sets of those coins be deposited in the general fund of the Treasury.
5. Estimated cost to the Federal Government:

[By fiscal year, in millions of dollars]

	1989	1990	1991	1992	1993
Additional cost of minting new coins:					
Estimated authorization level	([1])	1	1	1	1
Estimated outlays	([1])	1	1	1	1
Net additional profit from sale of numismatic coins and interest savings from seigniorage:					
Estimated Budget Authority		−5	−8	−12	−16
Estimated Outlays		−5	−8	−12	−16

[1] Less than $500,000

The budget impact of this bill falls within budget functions 800 and 900.

Basis of estimate: This estimate assumes that the bill will be enacted before October 1, 1988, and that the Mint would issue the first new coin around January 1, 1990.

Estimates of the costs associated with designing and producing the new coins (about $1 million per year) and of the receipts from the sale of numismatic sets (about $3 million per year) are based on information from the Mint. The Mint estimates are based on the production costs and receipts from similar coins. The cost of minting new coins would be funded through the appropriation process.

6. Financing mechanism: Based on information from the Mint, we expect production of the new coins would result in about $155 million in additional seigniorage over the 1990–1993 period, thus reducing the Treasury's borrowing needs by a corresponding amount.

Seigniorage is the difference between the face value of a coin and the cost of producing it. When coins are minted, the federal government accrues seigniorage. However, seigniorage is not an on-budget receipt and does not affect the deficit. Rather, it increases the cash balances of the Treasury and reduces the amount the Treasury has to borrow from the public, thereby reducing the government's interest payments.

Because the public's interest in the redesigned coin is likely to result in a greater than normal withdrawal of the new coins from circulation, the Mint would have to produce a larger quantity of coins than if the coins' designs remained unchanged, thereby increasing the amount of seigniorage that the government would accrue. The redesigned coins are expected to produce additional seigniorage above the normal levels by about $36 million in 1990. $42 million in 1991, $47 million in 1992, and $30 million in 1993. The reduction in borrowing that would result from this increased seigniorage would reduce federal interest costs by $29 million over the 1990–1993 period.

7. Estimated cost to State and local governments: None.

8. Estimate comparison: In testimony presented to the Senate Committee on Banking, Housing and Urban Affairs on April 22, 1988, the Director of the Mint stated that it would cost $7.85 million over a six-year period for engraving, testing, and producing the new coins required by the bill. In addition, the Director testified that, based on past demand for numismatic coins, the government would receive an estimated $3 million in additional profit annually from the sale of proof and uncirculated sets of the redesigned coins. CBO's estimate of S. 1776 is consistent with the Mint's estimates.

9. Previous CBO estimate: None.

10, Estimate prepared by: James Hearn.

11. Estimate approved by: C.G. Nuckols (for James L. Blum, Assistant Director for Budget Analysis).

REMARKS OF DAVID C. HARPER
FORMER EDITOR OF NUMISMATIC NEWS
BEFORE HOUSE SUBCOMMITTEE ON CONSUMER AFFAIRS & COINAGE
SEPTEMBER 14, 1988

Mr. Chairman, thank you for according the honor of appearing before you this morning. At this stage, the former editor of Numismatic News, it is nice know that have yet become has-been The opinions I am about to express were formed during my tenure editor and I am deeply indebted to the parent firm, Krause Publications of Iola, WI for the opportunity of raising the issue of changing the designs on our circulating coinage. Krause Publications publishes four other coin hobby periodicals and our Standard Catalog series of numismatic reference works is internationally respected.

I am here to offer my strongest possible endorsement of H.R. 3314. It is bill redesign the cent, nickel, dime, quarter and half dollar six-year period. It is the opinion of the 14-member numismatic staff at Krause that all parties affected by the of this bill would out winners should it be enacted That is why we support it and that is why became involved in an effort to change coin designs beginning with the Feb. 10, 1987 issue of Numismatic News We hope the logic of our position, after you have studied it will become compelling to you as it is to us.

Coin collectors, medallic artists, the American people and their government will enjoy positive results from this legislation.

We took survey of our readers during the month of February 987. A copy of the results is attached to this testimony Response, by our standards, was enormous. A total of 2,117 subscribers, 6. percent, took the time to fill out the form and ret it This came from a national subscriber base of 32,000. Of the respondents, 93 percent wanted designs changed.

Despite the fact that the survey not taken with sophisticated polling methodology and, therefore, represents only the opinions of those who participated, we are convinced it is representative of overall collector sentiment. The reason for this is because did another survey in early 1985. We asked our readers at that time whether they supported the idea of commemorative coinage honor the 100th anniversary of the Statue of Liberty. Some 93 percent did. However the total number of responses was only 1,129, from subscriber base larger than that which existed in 1987. The Statue of Liberty program we on to become the most successful commemorative program in the history of the country.

We believe the much larger numerical response generated by the design survey is indicative of the favorable sentiment among collectors toward the idea of design changes and of a deep level of commitment to the idea.

Why do collectors support design changes? Personally, they would enjoy something new to collect. In our February 1987 survey, 93 percent of respondents said design changes would encourage more people to collect coins.

On a more intellectual level, collectors recognize the fact that design changes have occurred on a regular basis since the founding of the Republic and they believe the tradition of change should continue. They recognize that as the character of the nation evolves, so too does its coinage, and they think it is time for this generation to put its ideals and aspirations our coins

To the present generation, coin designs see fixed, but that is only because it has been 24 years since the last one was done. Collectors look at the larger fact that in the past 100 years there have been 13 complete changes to the designs of the cent through half dollar, and several additional partial changes. The designs were not changed because the previous ones were somehow defective or no longer fulfilled their primary role as a medium of exchange. They were changed because it was time. History called our coinage to the next stage.

I am here to tell you that again it is time. History is calling. Our current coinage is not defective. It fulfills its role as medium of exchange. But, as has happened 13 times in the past century, it is time for change. That is the message of collectors.

Why should collectors be listened to? In short, we are keepers of the flame. We study coins. We understand what they are and what they are supposed to be. We think about them week in and week out. Just as bankers are called to testify about banking deregulation, collectors appropriately should be consulted and their opinion about our coinage should be carefully weighed. It is a well studied, well researched and well grounded opinion.

Collectors are numerous. The Mint has mailing list of 3.2 million names. We Krause Publications maintain a list of about 500,000 names of active subscribers and book buyers with whom do business regular basis.

Those things said, it is important to point out that we are not pie-in-sky individuals. We are practical people. History may be calling, but we also have checked to make sure that the Mint has the productive capacity to respond. Coin production has fallen in the 1980s. The Mint has excess capacity. In Fiscal Year 1987, the Mint produced 12.7 billion coins. In the early part of the decade the Mint's production was nudging 20 billion coins annually. The Mint also has a coin surplus in storage. The Mint could not be better positioned to handle a design-change transition period.

Another element that must be considered is the nation's willingness to accept change. As this decade dawned, things were rather simple from the perspective of the country's coinage. There were commemorative coins being issued. There were no gold and silver bullion coins being struck and there were no annual catalogs from the Mint offering a variety of numismatic items for sale to the public. There was also an ingrained opinion in the administrative and legislative branches of government that change in all its aspects was to be avoided.

Since then, however, have experienced an incredibly innovative period. Commemorative coinage came roaring back in 1982 with the Washington

commemorative half dollar. Bullion coinage was authorized and produced. The annual Mint sales catalog generated sales to people. In each instance, innovation met with wide approval and In each instance, the collector community reacted first say they would be successful.

With such record of coinage success in the 1980s, now is the time for designs circulating coins, the ultimate innovation. It will be well received. Each coin collector will ambassador of goodwill in every nook and cranny of the nation.

Collectors urge that take advantage of this opportunity.

stated earlier that the medallic-arts community would also benefit from design changes. I defer to superior opinions on this topic, but I feel I can say that design changes are a major opportunity for artists. From the Mint's top-notch sculptor/engraver staff to medalliste around the country, the possibility of having one's work struck by the billions and seen by everyone in the country is a once-in-a-lifetime chance.

The American people are the third group I mentioned that would benefit. feel this strongly. Most individuals cannot tell you which presidents appear on our coinage. Most individuals probably do not think about the designs except in rare instances. Design changes provide those rare chances for moment's reflection on our coins and on the message they are trying to convey. Design changes would deliver national civic lesson. Terms of H.R. 3314 specify that the current presidents will be retained r coinage. However, that leaves open the option of rendering new portraits of each. We recommend those new portraits be done.

George Washington was not placed on our quarter through whim. His role in our history is without equal. A new portrait of him placed on the quarter would be a reminder to everyone of the nation's historical roots and what it truly is that stand for.

Back in the spring of 1962 I had been collecting coins for less than a year. new half dollar was being released. It honored John F. Kennedy, president who had been tragically assassinated. I wanted one. So, too, did millions of other Americans. I stood in a very long line my local bank. The limit the number of Kennedy half dollars I could get was two coins. still have them. still treasure them.

The the coins rationed was due to the incredibly emotional message our coins can communicate if choose to them in that matter. To all Americans who stood in line in 1964, Kennedy half dollar means just a little bit more than the rest of our coins. We relate to it personal level Design changes during the next six years would give the present generation that opportunity to relate to our coins and our history on a porson level.

My final beneficiary is the government. It will make money on coin design changes, a lot of money. That will benefit all taxpayers. The only thing in question is how much money design changes will earn.

If I am here for no other reason, it is probably due to the fact that I was the author of a profit figure that has become famous. It has taken on life of its own far beyond the circulation of Numismatic News.

prepared and published two estimates of the profits that would accrue to the government should it choose to change coin designs. The first figure was $216 million. That was published July 7, 1987. It was based my interpretation of historical precedent and it rested squarely the premises that all five circulating coins would see their designs change within a 12-month period and that the coins would be introduced to circulation without any fanfare.

Introduction of H.R. 3314 altered the premises on which that estimate was made, so I set to work to take the new factors proposed in the bill into account. The legislation specifies a six-year phase-in of designs, not one. My second estimate, published Nov. 24, 1987, was based on the Mint's using its very considerable ability to focus the nation's attention on our coinage and to generate as much publicity and profit as it can at the introduction of each new design. I also added two new elements. Since the phase-in would be over six years, I calculated the amount of interest the government would save by not having to borrow a sum of money equal to the coinage profit derived from design changes. I also added in the net increase in sales of special sets to collectors. The result was a six-year profit figure of $2.3 billion.

I have attached to this testimony tables and news stories relating to my first and second estimates. I believe they are sound given the premises on which the based.

I would like to make one final point regarding profit. Earlier I stated that designs have been changed 13 times in the last 100 years on the cent through half dollar. Based on mintage figures available in popular sources I found that on average, mintages rose by 51 percent during the five years following a design change when compared to the production of the previous five years of an old design. In 10 cases, mintage went up following a design change and in three instances, the five-year mintage figure declined. On average, though, as I said, the totals rose 51 percent. In Fiscal Year 1987, the Mint turned over to the Treasury a profit generated by seigniorage of $458 million. I leave it to you to do the calculation of the resulting six-year profit figure.

It is clear to that the government will make money on design changes. Only the size of the profit is undetermined.

To sum up my position, design changes are desirable from all angles have examined. Collectors win. Artists win. The American people win. The taxpayer wins.

strongly urge the House Subcommittee on Consumer Affairs and Coinage to report this bill favorably to the floor.

Numismatic News
Reader Opinion Survey Results*

During the month of February, Numismatic News asked coin collectors to respond to a three-question survey regarding changing the designs on all circulating U.S. coinage, cent through half dollar. They were given the opportunity to clip the survey form out of *Numismatic News* or from an advertisement in another weekly hobby newspaper called *Coin World* or by filling it out at two major national conventions, one in Long Beach, Calif., the other in Charlotte, N.C.

We received 4,309 responses and they were tabulated as follows:

1. Should U.S. coin design be changed?
YES: 3,659 or 85% NO: 650 or 15%

Broken down into the four constituent parts:		
Numismatic News readers:	YES: 1,979 or 93%	NO: 138 or 7%
Coin World readers:	YES: 271 or 92%	NO: 23 or 8%
Long Beach show-goers:	YES: 764 or 76%	NO: 242 or 24%
Charlotte show-goers:	YES: 645 or 72%	NO: 247 or 28%

2. What designs would you like to see on U.S. coins? (Readers checked more than one box.)

Same presidents/new portraits: 576
Other presidents: 1,050
Miss Liberty: 1,721
Historical events: 2,127
Notable Americans: 976
Other: 853 (A blank was provided here for suggestions and survey participants listed everything from animals and birds to the space shuttle Challenger)

3. Would design changes encourage more people to collect coins?
YES: 3,620 or 90% NO: 375 or 10%

Broken down into the four constituent parts:		
Numismatic News readers:	YES: 1,881 or 93%	NO: 143 or 7%
Coin World readers:	YES: 272 or 95%	NO: 14 or 5%
Long Beach show-goers:	YES: 810 or 88%	NO: 111 or 12%
Charlotte show-goers:	YES: 657 or 86%	NO: 107 or 14%

* This survey was not conducted scientifically and it reflects only the opinions of the participants.

Numismatic News
700 E. State St.
Iola, WI 54990

Seigniorage Profit After Design Changes

1986 Coin Production

Denomination	Total Coins	Face Value
50 cents	.028 billion	$ 14 million
25 cents	1.06 billion	265 million
10 cents	1.15 billion	115 million
5 cents	.90 billion	45 million
1 cent	8.90 billion	89 million
	12.038 billion	$528 million

Annually, the Mint turns over to the Treasury General Fund the coin production profit, which represents the cost of production subtracted from the total face value. In 1986 the profit over and above costs was $392 million. This profit is called seigniorage.

Production Projection

We project the following mintages for a 12-month period after designs are changed:

Denomination	Total Coins	Face Value
50 cents	.1 billion	$ 50 million
25 cents	1.6 billion	400 million
10 cents	1.6 billion	160 million
5 cents	1.6 billion	80 million
1 cent	11.0 billion	110 million
	15.9 billion	$800 million

Of the $800 million face value produced, $608 million would be the profit over and above cost. Subtract from that the $392 million profit of 1986 and you get the net gain to the Treasury due to design changes of $216 million.

The fraction of face value that represents seigniorage profit fluctuates from year to year, but remains within a stable band. In 1986 the figure was 74 percent; in 1985 it was 76 percent; in 1977 it was 78 percent. A recent high was 85 percent for the year 1976 when the special Bicentennial coins were struck for circulation. We used 76 percent in our calculations.

Net Gain: $216 Million

Mintage Increases and Decreases Following Coin Design Changes

The following chronicles the 13 design changes to the cent through half dollar in the past 100 years. The tables compare mintage levels during the five years preceding each design change to the five years after each change. The overall increase or decrease is indicated by the percentage figure given after each table.

A final net increase figure of 50.8% is arrived at by adding all of the "Before" mintage figures to all of the "After" figures.

Indian - Lincoln One Cent 1909

1904	61.3	1909	103.0
1905	80.7	1910	152.8
1906	96.0	1911	117.9
1907	108.1	1912	83.0
1908	32.3	1913	98.4
1909	15.8	1914	80.5
394.2 million		635.6 million	

(61.2% increase)

Liberty - Buffalo Nickel 1913

1908	22.7	1913	73.7
1909	11.6	1914	28.1
1910	30.2	1915	30.1
1911	39.6	1916	38.7
1912	34.9	1917	69.5
139.0 million		286.1 million	

(105.8% increase)

Buffalo - Jefferson Nickel 1938

1934	27.7	1938	29.0
1935	80.7	1939	120.7
1936	158.7	1940	269.7
1937	102.9	1941	300.1
1938	7.0	1942	154.5
377.0 million		874.0 million	

(131.8% increase)

Seated Liberty - Barber Dime 1892

1887	15.8	1892	16.9
1888	7.2	1893	7.6
1889	8.4	1894	2.0
1890	11.3	1895	2.2
1891	23.0	1896	3.2
68.7 million		31.9 million	

(51.4% decrease)

Barber - Mercury Dime 1916

1911	23.6	1916	33.0
1912	34.6	1917	91.9
1913	20.3	1918	68.7
1914	31.4	1919	84.5
1915	8.6	1920	92.0
1916	24.3	1921	2.3
150.8 million		342.4 million	

(127.1% increase)

Mercury - Roosevelt Dime 1946

1941	263.8	1946	344.2
1942	315.4	1947	203.1
1943	324.0	1948	163.3
1944	343.1	1949	70.4
1945	241.2	1950	117.4
1,487.5 million		898.4 million	

(39.6% decrease)

Seated Liberty - Barber Quarter 1892

1887	0	1892	11.8
1888	1.2	1893	10.3
1889	0	1894	8.9
1890	.1	1895	9.0
1891	6.2	1896	5.6
7.5 million		45.6 million	

(508.0% increase)

Barber - Standing Liberty Quarter 1916

1911	5.6	1916	0.1
1912	5.1	1917	37.9
1913	2.0	1918	32.7
1914	9.5	1919	15.0
1915	7.9	1920	37.9
1916	8.3	1921	1.9
38.4 million		125.5 million	

(226.8% increase)

Standing Liberty - Washington Quarter 1932

1927	13.3	1932	6.2
1928	10.5	1933	0.0
1929	14.3	1934	35.4
1930	7.2	1935	44.0
1931	0	1936	50.5
45.3 million		136.1 million	

(200.4% increase)

Seated Liberty - Barber Half Dollar 1892

1887	0	1892	2.3
1888	0	1893	3.9
1889	0	1894	7.2
1890	0	1895	4.7
1891	.2	1896	3.0
.2 million		21.1 million	

(10,450% increase)

Barber - Walking Liberty Half Dollar 1916

1911	3.4	1916	2.1
1912	6.3	1917	21.6
1913	1.3	1918	20.7
1914	1.1	1919	3.8
1915	2.9	1920	12.6
14.9 million		60.8 million	

(334.3% increase)

Walking Liberty - Franklin Half Dollar 1948

1943	78.1	1948	7.0
1944	46.9	1949	13.4
1945	51.7	1950	15.8
1946	18.0	1951	40.1
1947	7.9	1952	52.2
202.6 million		128.5 million	

(36.6% decrease)

Franklin - Kennedy Half Dollar 1964

1959	30.4	1964	433.5
1960	25.9	1965	65.9
1961	31.6	1966	108.0
1962	48.8	1967	295.0
1963	92.3	1968	247.0
219.0 million		1,150.4 million	

(425.3% increase)

Before changes: Total 3,141.2 million pieces
After changes: Total 4,736.4 million pieces
Net increase in coin production: 50.8%

The following story was published in the Nov. 24, 1987, issue of *Numismatic News* under a headline: "Designs yield $2.3 billion."

A new study shows that changes in U.S. coin designs will yield $2.3 billion in additional revenue to the U.S. government over a period of six years, David C. Harper, author of the study and editor of *Numismatic News* announced Nov. 10.

The study was done in late September and a substantial portion of it was submitted to the Office of Management and Budget, Harper said. It was undertaken to evaluate the changed assumptions embodied by coin design legislation currently before the U.S. House of Representatives and the Senate.

"In our July 7 issue, Harper explained, this newspaper estimate a one-year profit of $216 million based on the assumptions that all five coin denominations would be changed simultaneously. That assumption has been replaced. According to the terms of the bills in Congress, new coin designs will be phased in over six years, with only one denomination altered during the first year. That required an entirely new evaluation," Harper said.

Another factor that has changed since July is the quest by Congress for more revenue for the federal government. In the wake of the stock market crash, members of Congress and the administration have become much more serious about raising revenue and will carefully examine even esoteric sources, such as coinage.

Harper's figures are based on the assumptions that the first coin to have its design changed will be the quarter dollar. This has the advantage of generating a great deal of money very quickly. For the same reason, the half dollar would be the second to be changed, followed by the dime, nickel and cent.

By the terms of the legislation, the first coin treated to a new design would also get a special two-year Bicentennial of the Constitution reverse. This gives the government an additional large kick during the phase-in period at the time the second quarter reverse would be introduced.

"Collectors are not in a position to dictate the changeover procedure to the Treasury. It very clearly wants a more conservative approach and that is what will be taken. The fact that this generates much more revenue for them is only gravy. Collectors would rather see the changes come at once, but then we would rather debate the historical and aesthetic aspects, too, but what Washington wants is revenue," Harper said. "It is unfortunate they do not see it our way, but we can certainly live, and even thrive, on what we may get if the broad outlines as they are currently drawn become law."

Keystone to the revenue figure is a very large arbitrary hike in production of the quarter and the half dollar in 1988. Normal demand patterns would not justify so large an increase, Harper explained, but a design change should be treated as an extra special event.

The Treasury should strike four billion quarters in 1988, almost four times the normal level, and essentially invite the American public to save them as souvenirs, he said.

They should be distributed in advance of public release to all of the nation's 14,000 commercial banks. Savings and loan associations, mutual savings banks and other financial institutions should also be given large supplies in advance, Harper added.

All the while, the Mint should focus its public relations attention on the impending release. Saving these coins would be the patriotic thing to do, he declared.

"Donna Pope," Harper said, "has been quite adept in her many appearances before the television cameras and in her interviews with radio and the press. I am sure the experts at the Mint could map out a media plan that would ensure the success of the program.

"Naturally, the numismatic hobby press would be helping to lead the way," Harper pledged.

"If a new Washington portrait is placed on the quarter, the thrust of the campaign could be,
"Have you seen the new Washington quarter? The Father of Our Country has never looked better," Harper speculated.

"Release date could be tied to the Fourth of July holiday or to the October anniversary of the surrender of Cornwallis at Yorktown. Their options are virtually endless, limited only by the Mint's creativity," Harper stated.

High production numbers would also be justified on the same basis for the half dollar. 1988 is the 25th anniversary of President Kennedy's tragic death. As part of the national observance, the public would be reminded that the half dollar would be redesigned in 1989. A new portrait of the slain president would inaugurate the second quarter century of service.

The public would be encouraged to save specimens of the denomination that were so easily squirreled away as mementoes in 1964.

The result of the high production figures for quarters and half dollars in 1988 would be $1.02
billion in additional seigniorage during the year. That is $1.02 billion the government would not
have to borrow and pay interest on in ensuing years," Harper pointed out.

And, interest is very important, Harper declared. "Over five years time, if the government had
to borrow $1.02 billion at the going 30-year Treasury bond rate of 9 percent, the interest that
would not have to be paid compounds to $569 million. That by itself in my mind is sufficient
reason to go full speed ahead with this program," Harper said.

However, there is more seigniorage and interest.

In 1990, with the new half dollar design, seigniorage over and above what could normally be
expected is $356.4 million, on an extra 800 million half dollar coins struck that year. Quarter
production in 1988 would recede to a normal level and the production of dimes, nickels and cents
would continue at a normal pace.

eIn 1990, the dime design would change, one billion extra coins would be struck and the additional seigniorage would be $97.8 million.

eIn 1991, the nickel would would change and seigniorage on an additional one billion coins would be $26.8 million.

In 1992, the cent would be the last coin to be changed and it would raise $7.7 million in seigniorage on an extra two billion coins produced.

As for the transition from the Constitution quarter reverse to a regular design, the options are numerous and too sketchy to base any revenue projection on them. However, seigniorage would be considerably lower than the 1988 profit level to the government.

Total extra seigniorage on the 1989-1992 changeover is $478.7 million.

Interest on the additional seigniorage at the same 9 percent rate would amount to $178.2 million.

That brings the seigniorage to $1.4987 billion over six years and interest to $747.2 million for a grand total of $2.2 billion by 1993.

To that figure you must add the additional profits that will be generated by additional proof, mint and other collector set sales during that time.

Harper estimates that design changes would spur sales of one million additional proof sets each year, one million mint sets and 300,000 of a special proof presentation set. Profits would total $16.18 million each year, or over $97 million in six years.

That brings the grand total to $2.3 billion. "Not bad," Harper said.

STATEMENT OF BEVERLY MAZZE, PRESIDENT, AMERICAN MEDALLIC SCULPTURE ASSOCIATION

Ms. MAZZE. Mr. Chairman and Members of the subcommittee, as president of the American Medallic Sculpture Association, I have been asked to bring the viewpoint of the artists to this hearing, and that is what I am going to do.

I am pleased to report that we are very enthusiastic about the concept of modernizing U.S. coins. And we also support the recent policy of opening coin design competitions to sculptors both within and outside the Mint because we believe there is a vast pool of creativity out there that we should tap for something as important as our coinage.

However, we do not support change for the sake of change itself. The design for a successful work of art stems from the idea or the meaning behind it.

What message are we communicating if, for example, we simply redo a presidential portrait? And how on earth are we going to improve Brenner's portrait of Lincoln for example? Further, what are we saying if we do that? What idea is it that we are trying to bring forth? AMSE's answer to that, with all due respect to Mr. Leuver, is that there is no idea being communicated.

Therefore, if Congress does mandate coin design changes, we propose that Congress also should mandate that those changes reflect the state of our Nation at this point in time; who we are, what we stand for, what we have done, and what we aspire to do.

In addition, we urge the Congress to mandate the use of a quality control process for ensuring that the designs chosen are the very best that the artistic community can produce.

Currently, there are absolutely no written policies or guidelines for ensuring that coins are well designed and that coin design competitions are conducted properly, which is a basic right that every artist can expect who enters into a competition.

This lack of guidelines has led to widespread disillusionment among the artistic community, which generally believes that U.S. coin competitions, and of course now I am speaking purely about commemoratives because that is all we have had up until now, that those competitions are not conducted fairly.

The perception of unfairness begins with the invitation to compete, as only selected artists receive an invitation. It is true that several different sources within the community are asked for recommendations; however, there are people out there who may be very fine artists whose names do not come up in the recommendation.

Then there is the very limited amount of time that an artist is given to research and produce a design—about 2 weeks. Now to do a design of this kind of magnitude, this kind of importance, there should be at least 6 weeks. If you consider how long it takes to pass a bill, then to give artists only approximately 2 weeks to do the design, you can understand why, from the artistic community's viewpoint, the process is self-defeating.

Those who do submit designs do not have equal opportunity to be chosen the winning coin designer. Administrative staff, with no artistic credentials or background, usually decide which designs will be shown to whom and when.

As a matter of fact in a recent competition, I think Diane will back me up on this, the Commission of Fine Arts, presumably one of the judges, saw only the winning designs. That was all that they saw. All the others were high graded out before that.

It is not clear who actually chooses the winning design, nor at which point in time the choice is really made, and it also is not clear what the choice is based on. Worst of all, not one of the participants in the decisionmaking process has expertise in designing coinage or first hand experience in solving the aesthetic and technical problems associating with designing coinage.

The process is further marred by unfair practices. Recently, for example, one and only one of the artist competitors was asked to make design revisions during the judging process. In a competition if you have a number of people competing and you decide that you want to see more—you are not quite satisfied with what has been done—the proper thing to do is to give everyone a chance. By not giving everyone a chance to redo their designs, you are in effect stacking the deck. Subsequently, this same artist's entry was then chosen as a winning design.

The sense of unfairness was heightened among the artistic community by assurances from Government officials as reported by the press that, in order to ensure impartiality the identities of the entrants would not be made known to decisionmakers until after the winning designs were chosen. Obviously, that did not happen.

Then there is the matter of the design itself. In some instances the design for a coin actually has been dictated to the artist by appointed or elected officials, no personal offense intended to anyone. [Laughter.]

That is to say individuals with no artistic credentials or background. In other instances, such officials ordered changes made to an artist's design without the artist's consent, sometimes, would you believe it, without the artist's knowledge. Now if this were something being done to a piece of art in the State of New York, it would be illegal. But this is being done at the Federal level and so it is not illegal. Nonetheless, however the artists feel very, very strongly that no one has the right to unilaterally change their work.

Not only the artist's rights—I might add that we are concerned about more than their rights—but also the integrity and validity of the design are violated by these practices. Creating a good design is not like a group effort at solving a crossword puzzle.

All interface with the artist and other interested parties regarding design decisions should rightly fall into the province of the Chief Engraver of the United States, who is an extremely capable artist and coin designer, and who now has absolutely no part in the process, none.

The chaotic selection process I have just described also illustrates why we urgently need a set of policies and procedures to ensure that competitions will produce the best possible designs and qualified judges will have enough sense to choose them.

Exhibit 1, which is attached to my written testimony, details the quality control process for creating and selecting new coin designs, which I submitted to the committee in September.

Due to time constraints, I am really unable to describe it to you verbally now, but I do respectfully request that you take the time to read it because the issues that I have brought up here are addressed by the design. I might add, that the design is based on what could be called somewhat universally accepted procedures. In other words, they would be acceptable to art groups.

The document includes a proposal for establishing a special committee of qualified individuals to judge coin designs. The competition process itself is based on tested and, as I said, universally accepted methods of judging art competitions, such as those used by the American Institute of Architecture. They have a manual on that, and excerpts from it are attached to my testimony.

The final exhibit describes the processes used by the British Royal Mint. You will note when you read that excerpt that the practices of the British Mint are very similar to what I have recommended here.

The past chairman of this subcommittee, Representative Annunzio, opened the September 1988 hearings on proposed new coinage designs by saying he was going to give everybody the chance to say their piece so they could get it over with and then the committee could get back to taking care of more important things, the really pressing problems that are facing the Nation. I am happy to see a willingness on your part to do more than that, to take more time than that to really address the issues.

Because I too believe that coins are ambassadors of our Nation. And if that is the case, then I think it is well worth our time to make sure that these ambassadors are saying to the rest of the world what we want them to say.

Thank you.

PRESENT COIN DESIGNS

Penny	Lincoln Lincoln Memorial
Nickle	Jefferson Montecello
Dime	FDR Oak Leaf Cluster
Quarter	Washington Eagle
1/2 Dollar	Kennedy Presidential Seal

PROPOSED COIN REDESIGNS

Penny	Lincoln One Theme from the Bill of Rights (Permanent)
Nickle	Jefferson One Theme from the Bill of Rights (Permanent)
Dime	FDR One Theme from the Bill of Rights (Permanent)
Quarter	Washington Theme Bicentennial of the Constitution (2 years only)
	Washington One Theme from the Bill of Rights (Permanent)
1/2 Dollar	Kennedy One Theme from the Bill of Rights (Permanent)

**STATEMENT OF SENATOR PETE V. DOMENICI
BEFORE THE CONSUMER AFFAIRS AND COINAGE SUBCOMMITTEE
ON H.R. 1245, THE U.S. ONE DOLLAR COIN ACT OF 1991
NOVEMBER 6, 1991**

Mr. Chairman, I am pleased to have the opportunity to bring my thoughts before the Consumer Affairs and Coinage Subcommittee on the issue of updating U.S. currency by introducing a one dollar coin to replace the one dollar papor note. The one dollar coin offere two great advantages to every American: cost savings and convenience.

Creation of a one dollar coin can save the Government and consumere millions of dollars spent each year to print one dollar bills and to retrofit machines to accept bills. In these times of burdensome deficit numbers, creation of a dureble one dollar coin is intuitively logical.

H.R. 1245, like my legislation in the Senate, S. 844, authorizes the minting of a golden-colored one dollar coin. The intent of S. 844 and H.R. 1245 is the same despite minor differences in Congressman Kolbe's and my bill. I am certain that these differences will be easily resolved in conference. Congressman Kolbe and I are both committed to introducing a successful one dollar coin. We know from the failure of the Susan B. Anthony that it is necessary to phase-out the one dollar paper note, and to make the coin distinguishable from existing coinage.

The United Statss currency lags bohind that of other industrial nations. Due to inflation, one dollar now buys about what 25 cents purchased in 1950. This means that the one dollar denomination is utilized in transactions four times as frequently as it was in 1950, and one dollar bills wear out four times as quickly. Other countries have experienced this phenomenon and have upgraded the durability of their one dollar equivalent denomination. The United States should do the same.

Japan, England, Norway, Australia, and most recently, Canada, are among seven of the nations that have circulated such coins, distinguishable in color, with great success. They have learned from our experience with the Susan B. Anthony coin that a distinctive golden-colored coin is easily embraced by consumers, while silver-colored coins, like the quarter, are not.

These countries have replaced the equivalent paper currency with a bill, generally, over a three-year period. Unlike H.R. 1245, my legislation, S. 844, does not require the elimination of the one dollar coin. I expect, however, that when S. 844 is debated on the Senate floor, that this will be corrected, thereby requiring the phase-out of the paper note and requiring the mint to produce enough two dollar bills to meet demand.

Why is coinage reform necessary? The most significant reason to me is the savings to be realized by the Government and consumers. Based on data from the General Accounting Office, over a 30-year period, the Government can save an estimated $318 million each year in costs associated with minting a one dollar coin instead of a one dollar bill. This could average $1.3 billion annually in cash-flow dollars, and many expect this saving to be even greater.

We are literally throwing our money away with a one dollar bill. Every year the U.S. Government prints 3.2 billion dollar bills, at a cost per bill of 2.6 cents. These bills have an average life of 17 months. At the end of that period, the bills are returned to the Government, taken to a special facility, shredded, and dumped into a land-fill. This is an undesirable and unnecessary abuse to the environment and the taxpayer. By contrast, the one dollar coin would cost six cents to mint, but would remain in circulation for up to 30 years.

Any environmentalist will tell you that a reusable article is better than a disposable one. The same holds true for money: Twenty-one one dollar bills are needed to do the job of a single one dollar coin.

One dollar bills also contribute to the increasing cost of vending machine products. It costs $2,400 to purchase a bill changer and $400 to retrofit a vending machine to accept one dollar bills. This expense is passed on to the consumer. The one dollar coin, however, eliminates the need for these additional expenses that contribute to higher product prices.

Our mass transit systems face expensive retrofitting of fare machines on buses. This expense could be avoided by the circulation of a one dollar coin. Such retrofitting cost Cleveland, Washington, and Chicago five million, \$8.7 million, and \$15 million respectively. Additionally, paper counters must be hired to sort and stack one dollar bills at the and of each dey. This is a tedious, labor-intensive task that significantly increases the cost of mass transit.

I would like to share with you a scenario that has occurred in Chicago that demonstrates the compalling nsed for a one dollar coin. The Chicago Transit Authority (CTA) spends about two million dollars sach year processing the 285,000 one dollar bills it receives every day. To reduce this expense, the CTA tried to encourage people to use tokens by raising the cash fare from 95 cents to \$1.25 and giving a deep discount on tokens purchased in bulk: 10 for nine dollars or 90 cents per rido. The CTA succeeded in reducing the volume of one dollar bills from 350,000 to 285,000 daily. The tragedy of this story lies in the fact that economically wise commuters who could afford to purchase bulk fares benefitted while those who could only afford to purchase on fars at a time saw an increase par ride of 31 percent.

Clearly, the cost savings to the Government and consumers of a one dollar coin is evident.

A second compelling reason for a one dollar coin can be said in one word: convenience. More and more common transactions require handfuls of quartere -- coin laundries, parking meters, long-distance phone calls, newspaper stands, and even change from a five dollar bill in Washington, D.C.'s, Metro.

With edges easily distinguishable by touch from the quarter, a one dollar coin is strongly supported by those among us who are visually handicapped. This one dollar coin improves the ease of purchases for the visually handicapped and provides protection from unscrupulous cashiers.

An efficient and convenient society requires this change. S. 844 has gained wide spread, bipartisan support in the Senate with 27 cosponsors. S. 844 was incorporated into S. 543, the Comprehensive

Deposit Insurance Reform and Consumer Protection Act, on August 3, 1991. S. 543 now awaits action on the Senate floor.

Additionally, a wide-range of interest groupe support the one dollar coin legislation in both bodies of Congress. The Sierra Club has endorsed the one dollar coin because the coin will reduce the costs associated with maes transit. The Blind Vendors of America endorses the coin for the ease and insurance the coin lands to money transactions. The New Mexico Bankers Association enthusiastically supports the one dollar coin for its savings potential. In addition to these organizations, I have received an outpouring of letters from Americans across the nation who realize the benefits of the coin and support quick paseage of this legislation.

In conclusion, I am convinced that putting a one dollar coin in our pockets will be a great convenience, and it will prove a significant savings to the taxpayer -- savings that will add up to over $10 billion over the life of these gold-colored dollars. I urge my colleagues in the House and especially the members of this Subcommittee for Consumer Affairs and Coinage to lend their suppert to H.R. 1245, the United States One Dollar Coin Act of 1991.

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November 4, 1991

The Honorable Esteban Torres
Chairman
House Committee on Banking, Finance and Urban Affairs
Subcommittee on Consumer Affairs and Coinage
604 House Annex I
Washington, DC 20515-6119

Dear Chairman Torres:

The American Bankers Association (ABA) is pleased to submit comments regarding the replacement of the dollar note with a circulating coin. ABA is the trade and professional organization representing the nation's commercial banks of all sizes. The assets of ABA member banks represent approximately 90 percent of the industry total. We would request that this letter and its attachment be made part of the record for the hearing being held by your Subcommittee on November 6, 1991.

ABA believes the replacement of the dollar note with a coin, as called for by H.R. 1245, would be inappropriate for several reasons.

Lack of Public Support

A Gallup Poll conducted last year concluded that fully 59% of the American public opposed a dollar coin while only 15% supported a new coin if the note were replaced. Specifically, the Gallup Poll concluded that:

- 59% Oppose creating a dollar coin
- 7% Are unsure about creating a dollar coin
- 18% Support a dollar coin if the dollar note is retained (S. 543, S. 844)
- 15% Support replacement of the dollar note with a coin (H.R. 1245)
- 1% Unsure about eliminating the dollar note.[1]

Banks are the key intermediaries between the Federal government and the general public with respect to currency and the commercial banking industry's experience with the Susan B. Anthony coin was one of widespread public dissatisfaction -- translating at the teller window to substantial customer service problems. Bankers were viewed as

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[1] The Gallup Organization, Inc.; *A Gallup Survey of Public Attitudes Toward Creation of One Dollar Coin*; April 1990.

AMERICAN
BANKERS
ASSOCIATION

CONTINUING OUR LETTER OF

November 4, 1991

SHEET NO. 2

foisting the dollar coin on unwilling recipients. Given the Gallup results reported above, ABA fails to see why a new dollar coin would be more favorably received by the general public at this time. Indeed, it seems highly likely that the public would not accept the new coin, resulting in another costly experience reminiscent of Susan B. Anthony.

Substantial Payback Period on Federal Investment

In a report to this Subcommittee last year, the General Accounting Office (GAO) cited net present value savings of $318 million annually from the replacement of the dollar note.[2] Yet the U.S. Mint claimed that the government will not actually realize a dime in savings until at least 13 years following the dollar note's phase-out. In the first year, the Mint claimed the changeover would actually cost the Federal government $80 million. The "savings" cited by GAO might be achievable over a long period of time since the initial capital investment could be earned back through future savings. However, given past experience with the Susan B. Anthony coin, it is questionable whether a new dollar coin would remain in circulation long enough to recoup its costs.

Undue Burdens Borne by Banking Industry

We have attached an analysis of the likely implications to bank operations from the adoption of a dollar coin. In brief, the additional weight of the dollar coin, and the fact that banks must pay Federal Reserve Banks a fee for wrapped coins that does not apply to "strapped" notes, would substantially increase the costs borne by the industry to supply the general public with a dollar coin. If a dollar coin is ever adopted, ABA believes fairness dictates that such fees be waived and such additional costs be offset.

* * * * *

ABA thanks the Subcommittee for this opportunity to provide the views of the commercial banking industry on pending dollar coin legislation. ABA would be happy to discuss this issue further with the Subcommittee.

Sincerely,

Edward L. Yingling

Attachment

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[2] U.S. General Accounting Office; *National Coinage Proposals: Limited Public Demand for New Dollar Coin or Elimination of Pennies*; May 1990; GAO-GGD-90-88.

THE U.S. BANKING INDUSTRY AND THE EFFECTS OF PROPOSED CURRENCY REFORM

An Analysis by the American Bankers Association[1]

November 4, 1991

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[1] These findings represent a consensus view regarding legislation pending in Congress derived from an ad hoc survey of the Operations & Automation, and the Retail Payment Services Committees of the American Bankers Association.

Introduction:

If enacted, currency reform proposals pending in Congress will create a new, circulating dollar coin (S. 844, incorporated as Section 1136 of S. 543), or actually replace the dollar note with a coin (H.R. 1245). These currency "reforms" could have dramatic and far-reaching effects on U.S. commerce. Consumers could be expected to react negatively. In its key role as provider of currency to the marketplace, the banking industry will incur both implementation and ongoing costs that are unlikely to be offset by savings to taxpayers, consumers, or the banking industry.

Beyond the substantial costs associated with explaining currency reform to the general public, the banking industry will incur numerous operational costs in the areas of retail services and commercial currency processing. To some extent, our customers will ultimately bear part of these costs. To the extent they do not, bank profitability will decline.

Effects on Costs From One Dollar Coin:

- One-thousand dollar notes weigh approximately 3 lbs. One-thousand dollar coins will weigh approximately 17 lbs.; more than 5 times as much. With processing costs based largely on weight conveyed and labor involved, the increase in costs could be substantial. It will certainly take more labor to move 1,000 coins as opposed to 1,000 notes. Workers' compensation and other liabilities might also increase for injuries related to handling heavier loads.

- A large western bank with high-volume currency processing operations estimates its currency transportation costs will increase approximately 25% (an increase of over $400,000 annually) if a coin replaced the dollar note; the cost could be higher if it circulates alongside the note since costs associated with processing notes would not be supplanted. Other banks estimate as much as a doubling in transportation costs.

- Banks will realize only minimal savings from having to deliver fewer dollar notes to the Federal Reserve for destruction, since these trips must be made for other reasons as well. These savings will be completely lost if a dollar note is reintroduced.

- Storage costs, which are also based in part on weight and labor, could rise dramatically. This will be the case even if coins do not take up more space relative to notes.

- Banks receiving wrapped coins from their Federal Reserve Bank must pay for the service, whereas strapped notes do not entail a cost. For example, the Federal Reserve Bank of Cleveland charges $1.55 per box of 1,000 wrapped Susan B. Anthony coins. Federal Reserve Banks charge for coins, and not notes, in large part because of the same processing costs faced by banks.

- Cash drawers will probably need replacement to handle additional coin/currency, at least during the transition period when the additional dollar coin will not be offset by withdrawal of the dollar note.

- Few machines used by banks to count, sort, wrap, or dispense coins can currently handle a dollar coin. Thus, most existing cash processing machines will need to be retrofitted or replaced, entailing substantial costs. Moreover, some ATM machines can now cash customer checks or electronic deposits of government benefits to the penny. These, too, will need to be retrofitted or replaced in order to dispense dollar coins. Also, dollar coin accepting machines might be made necessary to limit additional labor costs associated with verifying the accuracy of large dollar coin deposits/exchanges.

- Bank forms used to order, exchange or deposit currency will probably have to be redesigned at some expense to banks. New wrappers for dollar coins that are more durable, and probably more expensive, than the "straps" currently used to wrap notes will also be necessary, as will stronger bulk-handling bags.

- The banking industry views efficient customer service as a high priority. Given the experience with the Susan B. Anthony coin, substantial teller and other branch personnel time will be spent explaining why dollar coins are being dispensed in place of notes and handling related customer complaints. This would reverse the trend of increasing efficiency at the teller window.

- All in all, a conservative estimate of the additional costs to the banking industry from a dollar coin would be in the tens of millions of dollars.

The Coin Coalition

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Airport Operators Council International
American Amusement Machine Association
American Council of the Blind
American Public Transit Association
Amusement and Music Operators Association
Chicago Transit Authority
Citizens Against Government Waste
Copper and Brass Fabricators Council
Copper Development Assn.
International Association of Amusement Parks & Attractions
Multi-housing Laundry Assn.
National Association of Concessionaires
National Association of Convenience Stores
National Automatic Merchandising Association
National Campground Owners Association
National Coffee Service Association
National Confectioners Association
National Council of Chain Restaurants
National Parking Assn.
National Soft Drink Assn.
Public Telephone Council
RP Foundation Fighting Blindness
Randolph-Sheppard Vendors of America (blind vendors)
The Seniors Coalition
Smarte Carte Inc.
Snack Food Association
Southeastern Pennsylvania Transit Authority
Southern California Rapid Transit District
TraveLoc Inc.
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H.R. 1245 and S. 844 endorsed by:
Sierra Club

Statement for the Record
James C. Benfield, Executive Director
THE COIN COALITION
House Subcommittee on
Consumer Affairs & Coinage
on the
"One Dollar Coin Act of 1991" (H.R. 1245)
November 12, 1991

Introduction

The Coin Coalition, a group of 29 associations, transit authorities, and companies, strongly supports the One Dollar Coin Act of 1991 (H.R. 1245).

The United States currency system, fundamentally unaltered during this century, is in desperate need of modernization -- specifically, a circulating dollar coin.

With paper bills, we cannot make a long-distance call on a pay phone, buy a Sunday paper from a street box, drive through a toll booth, or use a long-term parking meter. We wait as subway fare machines reject, then slowly accept bills. A well-designed $1 coin would not only help reduce government spending, eliminate the need for costly mass transit fare-box conversions, and help hold down the cost of vending machine products, but it also would remove various hidden costs of the outmoded $1 bill. A $1 coin would remove numerous inconveniences from modern life.

Summary

Government saves $862 million annually. Coins last 30 years; cost 6¢. Bills last 17 months; cost 3¢.

Mass transit saves $124 million annually. Bills cost up to 3¢ each to count. Los Angeles and Chicago systems count up to 300,000 daily. LA and Chicago combined would save $7 million annually. Faster moving lines at farecard machines.

Visually impaired able to make small purchases conveniently.

Vendors save money because bill acceptors cost hundreds of dollars and slow transaction time for customers.

Public will have the option of carrying $2 bills, because cash retailers will have room for them in cash drawers once $1 bills are eliminated.

Most foreign countries have successfully introduced high-denomination coins. U.S. has coins with least purchasing power of any major country.

A new $1 coin should 1) be golden in color, 2) have smooth edges and surface features to aid the visually impaired, 3) have the same dimensions as the Anthony dollar. Changing dimensions would require retrofitting transit fareboxes and other machines designed to accept the Anthony dollar. The Canadian "loon" $1 coin, which has replaced Canada's $1 bill, is an excellent prototype.

I. Government Would Save $862 Million Annually.

The government would save at least $862 million annually (in constant dollars) if a coin replaced the dollar bill, according to an October 1991 study by Prof. George McCandless, a University of Chicago economist. One reason: Coins last about 30 years while bills last only 17 months. Although coins last 21 times longer, they have only a slightly higher material and minting cost -- 6.0 cents for a coin versus about 3.0 cents for a bill.

II. Mass Transit Would Save $124 Million Annually.

The transit systems of Chicago, Los Angeles, Atlanta, San Antonio, New Orleans, Philadelphia, and Washington, D.C. are among those strongly supporting the $1 coin and phase out of the $1 bill.

Processing $1 coins instead of $1 bills would save the mass transit industry over $124 million annually (according to McCandless) in equipment purchases, maintenance, and processing of $1 bills.

The New York City bus system has an easy solution to the paper-dollar problem: It doesn't accept them. No token or change, no ride -- in spite of the phrase "legal tender for all debts" printed on all U.S. bills. According to the New York City Transit Authority, 80% of the express bus riders between Staten Island and New York City pay a $4.00 fare each way, quarters only. Thus, 32 quarters are needed for the round trip. The round trip fare will increase by up to $2.40 in January, 1992.

The Southern California Rapid Transit District (SCRTD) would save almost $4.5 million annually. Tom Rubin, SCRTD Controller-Treasurer, writes in the May 27, 1992 "Passenger Transport":

> "The SCRTD handles more than $2 million in currency weekly, virtually all composed of $1 bills. These are sold unprocessed to a contractor for 97 cents on the dollar.
>
> "A $1 coin would save $2.75 million for contractor costs, $500,000 in SCRTD in-house bill processing costs, $500,000 in maintenance on bill acceptors, and half of the capital cost for purchasing fareboxes, or $750,000 annually."

William C. Buetow, Assistant Treasurer of the Chicago Transit Authority, writing in the same publication:

> "Bills are counted at a cost of $22 per thousand. Coins can be counted for $1.64 per thousand coins. To reduce cash handling cost, a "deep discount" was instituted in April 1990. The cash fare was raised from 95 cents to $1.25, but token packs were sold in units of 10 for $9.
>
> "The quantity of $1 bills received daily now averages 285,000 [down from 485,000 before the change]. Although no demographic studies have been performed on who uses tokens and/or cash for payment of fares, it is possible that low income passengers do not have the financial resources to spend $9 for tokens on any given day."

III. Visually Impaired Support the $1 Coin.

The visually impaired are concerned about the ability to differentiate among various currency denominations. If there were no $1 bills in circulation, small purchases could be made by coin without fear of accidentally spending a large bill or of being cheated when receiving change.

The benefits of a $1 coin to the visually impaired would be marginal if the $1 note continued to circulate.

IV. $1 Coin Would Not Be Inflationary

Some opponents of a new $1 coin say that it will be inflationary. In fact, relying on $1 bills is inflationary for several reasons.

Bill validators for vending machines cost between $400 and $600, costs that are passed on to the consumer. The additional cost for a $1 coin mechanism, integrated into the mechanism for nickels, dimes and quarters, would be between $30 and $50 -- a cost also passed on to the consumer. Vendors and amusement game operators would prefer to pass on the lower cost.

The chief competitors of the vending industry are convenience stores. Market pressures will keep vendors from "charging a buck for a Coke." If vendors had planned to charge $1.00 for a soft drink, they would have done that with the claim that $1.00 bill acceptors couldn't make change. That never happened.

The inflation that requires a $1 coin already has occurred. During the 30 years between 1961 and 1991, the Consumer Price Index increased from 29.9 to 136.6 -- more than a four-fold increase. (The increase is from 136.6 to 409.2, using the 1967 base year.) In other words, today's dollar purchases what the quarter in the 1960s. See Appendix III for a list of small-cost purchases in 1961 and 1991.

V. The Failure of the Susan B. Anthony $1 Coin.

The last time a $1 coin was introduced in the United States-- the Susan B. Anthony in 1979 -- it did not circulate. The GAO studied the experience of the Anthony dollar, and concluded that "One of the major causes was the failure to eliminate the $1 note." Cash retailers were reluctant to count and store both paper and coin dollars.

Additionally, the coin was confused with the quarter, mainly because of its similar silver color and reeding. The Coin Coalition advocates a golden-colored coin that has a smooth edge (like a nickel), as opposed to a reeded edge like the quarter. These two changes are sufficient to insure easy differentiation from quarters. The Coalition opposes changing the physical dimensions of a new $1 coin, as this would require the vending/ coin-operated industries, as well as the mass transit authorities, to retrofit all the machines that have been designed to handle the Anthony dollar. Any change in the dimensions would cost these industries millions of dollars.

With the golden color and smooth edge, the quarter and $1 coin should be easier to tell apart than pennies and dimes.

	Weight	Diameter
Penny	2.50 grams	19.05 mm
Dime	2.27 grams	17.91 mm
Quarter	5.67 grams	24.26 mm
Anthony-sized dollar	8.10 grams	26.50 mm

Furthermore, Canada has successfully introduced the golden-colored "loon" $1 coin, which is the same diameter as the Anthony $1 coin.

Even though the Anthony dollar currently does not circulate among the U.S. public at large, it is an important coin in many localized operations. Following are some mass transit, toll roads and vendors currently using the Anthony dollar:

Chicago Transit Authority, Chicago, IL
Metro-Dade County Transit Agency, Miami, FL
Harris County Toll Road Authority (Hardy Toll Road), Houston, TX
Long Island Railroad, Jamaica, NY
Mass Transit Administration of Maryland, Baltimore, MD
Metro North Commuter Railroad, New York, NY
New Jersey Transit, Newark, NJ
Port Authority Trans Hudson (PATH), Port Authority of NY and NJ
Port Authority Transit Corporation, Lindenwold, NJ
San Francisco Municipal Railway System, San Francisco, CA
South Eastern Pennsylvania Transit Authority, Philadelphia, PA
Goodman Vending, Reading, PA
Griswold Inn, Essex, CT
Royal Service Inc., Seattle, WA
Smarte Carte, Inc. (airport cart rentals), White Bear Lake, MN
TraveLoc (locker rentals), Sea Island, GA
U.S. Postal Service, stamp vending
(In 1992, the USPS will install the first 12,000 of 40,000 vending machines that will give Anthony dollars as change.)
Zaug's Vending, Appleton, WI

VI. Seigniorage and the Anthony Dollar.

Each Anthony dollar cost about 3 cents to manufacture. The 856 million Anthony dollars cost the U.S. Mint about $26 million dollars. However, the Treasury kept the difference between the manufacturing cost plus the value of the metal (3 cents) and the face value of the coin ($1.00). This 97-cent difference, called seigniorage (similar to gross profit), came to about $830 million, which was used to reduce the amount of money needed to fund the National Debt. Thus, $830 million did not have to be borrowed. Assuming interest at 7%, the Anthony dollar continues to save the taxpayer about $50 million annually on debt service payments -- about double the original cost of manufacturing the coins.

(Most countries have accounted for seigniorage going back to the time when Sir Isaac Newton was the Master of the Royal Mint. In 1968, as a result of silver being removed from circulating coins, the United States made seigniorage an off-budget receipt.)

In addition, the scrap value of the Anthony dollars, if melted down, would recover most of the original manufacturing costs. The scrap can easily be reformulated with nickel to achieve the 75% copper, 25% nickel (cupro-nickel) alloy used for five-cent pieces and for the clad surface of dimes, quarters and half dollars.

If the 400 million Anthony dollars in storage were melted down today, the accounting entry would have to be reversed, and over $400 million would instantly be added to the federal deficit.

While the Anthony dollar was a failure from a design and execution standpoint, the taxpayer suffered no financial loss. In fact, because of governmental accounting rules, the government continues to avoid interest on the National Debt with the Anthony dollar.

After a sufficient inventory of new dollar coins are minted, the Anthony coins should be melted down on a one-for-one basis as additional new $1 coins are minted.

VII. Why the $1 Note Must Be Phased Out.

The Coin Coalition strongly agrees with the U.S. Mint and the GAO that the $1 Federal Reserve Note must be replaced if a new $1 coin is introduced. The reasons are numerous.

Reason #1: Planning. The mass transit and vending industries will be required to alter some of their automatic coin and bill accepting equipment at a cost of millions of dollars. Prudent managers would wait to see if the public preferred $1 notes or $1 coins; public opinion polls show a preference for notes. Thus, these industries will not alter machines unless they can be assured that the $1 coin will circulate. Further, a legislated phase-in date will permit these expenditures in the most timely and efficient manner. Having equipment ready when the new coin is introduced will avoid a "chicken and egg" problem.

If vending machines and mass transit authorities have to have equipment to count both $1 coins and $1 notes there would be no savings in equipment costs. This would be necessary if $1 notes are not eliminated.

Reason #2: Cash retailers. Most cash registers have ten position drawers, five for paper and five for coins. The five paper positions are often used for $1, $5, $10, $20 notes, with the fifth position used for checks, charge slips, food stamps, etc. The coin slots are used for 1, 5, 10, 25-cent coins, with the fifth position often used for spare rolls of coins.

Under the proposed changes, a cashier must find places for both the $1 coin and the $2 note. The current space for the $1 note is the logical place for the $2 note. The $1 coin would go in the fifth position used for coins. Checks, or $20 notes would have to go under the drawer to make room for spare rolls of coins, or another location must be found for spare rolls of coins.

Continued use of the $1 note would not only create a space problem in the cash drawer, but $1 notes would be a nuisance when received along with $1 coins. Cash retailers would choose the $1 note when going to the bank because they are used to it; a new $1 coin would not stand a chance.

Having to handle both a $1 coin and $1 bill would be the worst case scenario. For that reason, the National Council of Chain Restaurants and the National Association of Convenience Stores support a $1 coin only if the $1 note is removed from circulation.

Reason #3: Flow of currency. Bills and coins enter and move through the economy in different ways. Large bills begin at

Automatic Teller Machines (ATMs) and at bank teller windows. Individuals usually do not ask for excessive amounts of small bills and coins at banks. And most ATMs do not dispense denominations lower than $5 bills. Large bills are carried by individuals to cash retail establishments: grocery, convenience, drug stores, quick service restaurants, movie theaters, etc.

Cash retailers accept the large bills, and give $1 bills and coins in return. The individual now has the $1 bills and coins necessary to use in vending machines, parking meters, pay phones, and mass transit fare-boxes.

These industries "vacuum" up the coins and $1 bills. The coins and $1 bills are counted and sorted, then returned to banks where they are recycled to cash retailers.

It is sometimes said "if the vending and mass transit industries want a $1 coin, let them use some of the 400 million Anthony dollars stored in Federal Reserve vaults." Unfortunately, it is the <u>cash retailer that must use $1 coins in order for the vending industry to receive $1 coins from the public</u>.

For example, the Mass Transit Administration of Maryland (MTAM) uses Anthony $1 coins like a token in the Baltimore subway system. But it must go to the bank, stock the coins, and process the $1 notes it receives for Anthony dollars. The Baltimore system would save over $300,000 annually if the public entered the system with $1 coins in hand. The MTAM supports a $1 coin, but only if the $1 note is removed.

VII. Phase-In Period of $1 coins. The GAO study assumes a five-year phase-in period for the dollar coin and the removal of the $1 note. This is too long. The Canadian $1 "loon" coin was introduced on July 1, 1987, and the last $1 note issued July 1, 1989. The phase-in was virtually complete by the end of 1989. During the phase-in, there was a perception by the media that the coin was failing because it did not circulate in large numbers initially. This problem would not have happened with an earlier phase-out of the Canadian paper dollar.

The Federal Reserve System should begin withdrawing $1 notes six months after the coin is introduced. A sufficient inventory of $2 notes should be established to meet anticipated demand. The total phase in should last no longer than one year.

VIII. Industry preparedness.

Most vending machines, transit fareboxes, and coin-operated machines manufactured since 1979 have the capability of accepting Anthony dollars. Changing the diameter or thickness of a new coin would cause more than half the 4.5 million vending machines in the United States to be refitted with new coin mechanisms. The U.S. Postal Service is purchasing 40,000 automatic stamp vending machines over the next few years that will dispense Anthony dollars. Those machines also would have to be retrofitted.

Many bill acceptors currently used on vending machines are designed to take $1, $2, $5, $10, and $20 bills. A selector switch on the back of the machine determines which bills will be accepted.

Thus, most of the industry is ready to handle both a new Anthony-sized coin and the $2 bill.

IX. Foreign Experience

Learning from the failure of the Susan B. Anthony dollar in the U.S., many countries have introduced high-denomination coins, and in every case have phased out the bill of the same denomination. Initially, the coins were not popular in most countries. But the public soon discovered the convenience of the coin, and no country has found it necessary to return to paper.

Country	Coin	U.S. equivalent
Spain	500*/200*-peseta	$4.69/$1.87
Japan	500*/100-yen	$3.83/$0.77
Switzerland	5/2 Swiss francs	$3.37/$1.35
Denmark	20*/10-kroner	$3.06/1.53
Germany	5/2 Deutsche Mark	$2.95/$1.18
Netherlands	5*/2.5-guilder	$2.62/$1.31
France	10/5-franc	$1.73/$0.87
United Kingdom	1-pound*	$1.72
Mexico	5000-peso	$1.63
Sweden	10*/5-kroner*	$1.62/$0.81
Australia	2-dollar*/1-dollar*	$1.59/$0.79
Ireland	1-pound (Punt)*	$1.58
Norway	10*/5-krone	$1.51/$0.75
Finland	5-markka	$1.22
Canada	1-dollar*	$0.89
Singapore	1-dollar*	$0.59
Italy	500-lira*	$0.40
United States	quarter dollar	$0.25

*issued since 1980 (exchange rates as of 10/22/91)

Quantity of $1 Coins Needed for Circulation

Several factors affect the number of $1 coins that the United States will need to replace its $1 notes. The Coin Coalition generally accepts the GAO estimate that "7.5 billion coins would be needed initially to replace the 1-dollar notes that would be in circulation . . ." (page 39). This number might be reduced if $2 notes achieve greater circulation than the 25% replacement rate estimated by GAO. (25% means that 25 of every 100 $1 bills will be replaced by 12.5 $2 bills.) Increased use of $2 notes might be desirable to shorten the phase-in period from the five-year period suggested by the GAO.

Most western nations find that their notes last from 9 to 12 months; the GAO estimates an average life of 17 months. But the Coin Coalition believes that there will be a declining life cycle for $1 bills due to increased velocity, and more rugged and careless treatment by the public, because of ever decreasing purchasing power. <u>This will lead to further inconvenience to the general public, because worn bills are rejected by bill acceptors</u>. The alternative is to have the BEP print bills at an increasing rate.

If the "windows of acceptance" are widened for worn bills, the machines will become more susceptible to counterfeit bills. Coin validators have a lower rejection rate than do bill validators.

Estimating the longevity of $1 notes is made difficult because the U.S. Dollar is an international currency. It is the primary currency of Liberia, and is an important currency in Panama, Laos, and eastern European countries. U.S. currency used in foreign countries is not replaced as frequently as bills that circulate domestically, thus increasing the average life of all U.S. currency. We suggest that the life of bills used in the United States is considerably less than 17 months.

Even though the Coin Coalition advocates the phased removal of the $1 note, it should be emphasized that the $1 note will remain legal tender along with all notes and coins ever produced by the United States government.

Velocity of coin versus paper. Coins tend to be inventoried in far greater numbers in vending/coin-operated machines than do $1 bills. To build up inventories, more $1 coins will be needed. This is borne out by the experience of Canada and Australia.

Use of $2 bills. Many people object to a $1 coin because of "too much weight in the pocket." A $2 note is a logical option, in the same way that a $20 note fits between the $10 and $50 notes. Based on the Canadian/Australian experience, the $2 bill will become very popular once the $1 bill is removed. The $2 bill will not see wide-spread circulation until the $1 bill is mostly removed from circulation, because cash retailers will have no room in cash register drawers for the $2 bill.

Lost/Unclaimed/"Keepsake" $1 Notes. In Canada, 340 million $1 notes were carried on their books in December 1988, and over 600 million $1 "loon" coins have been minted through September 1991. Only 172 million notes have been pulled from circulation to date, leaving 168 million, or 49%, of Canada's $1 notes outstanding. Canada issued the $1 "loon" coin on July 1, 1987; stopped issuing $1 notes on June 30, 1989; and completed the transition to the $1 coin before the end of 1989. No $1 notes currently circulate.

Australia has a similar experience with unclaimed $1 notes. Their $1 coin was issued in May 1984. Through June 1990, 44.8% of all note are still recorded as "in circulation," though they are not seen in public.

GAO Study

The Coin Coalition finds the GAO study (National Coinage Proposals, May 1990, GAO/GGD-90-88) to be a useful document in identifying many of the variables that must be considered in assessing governmental savings. However, the study contains many errors, incorrect assumptions, and omissions. The Coin Coalition changed three assumptions/errors in the GAO calculation: 1) lost/ keepsake $1 notes, 2) production savings, 3) interest rate use to calculate the interest avoided through seigniorage. These changes are explained in Appendix I and II. The headings are taken directly from page 17 of the GAO study.

The Coin Coalition does not necessarily say that the "Alternate" $1.083 billion figure is accurate. It merely highlights the gross underestimate by the GAO. The Coalition believes the McCandless study is the best analysis to date. The Congressional Budget Office estimate looks only at 1995 and 1996, the first two years of the new $1 coin's circulation. However, its estimates of net savings of $69 million and $224 million for those two years are significantly above the comparable ($4.8 million) cost and $84.1 savings estimated by the GAO -- both figures are "Cash Flow Dollars." The GAO's often quoted $318 million figure and McCandless' $862 million are both in "Present Value Dollars" and represent average annual savings over 30 years.

By all accounts, the savings continue to escalate each year following introduction of a $1 coin. This is a governmental decision that will actually help our grandchildren.

The Coalition also takes serious issue with the conclusion that "some government savings will come at the expense of additional costs being borne by the private sector, such as additional coin processing and transportation costs." (page 29) That is not true for the members of the Coin Coalition, which represents the largest handlers of coins and $1 bills, with the exception of the banking industry and armored car carriers.

The Coin Coalition suggests that money handling by these institutions is a "profit center." The banking industry and armored car carriers make money by handling money. The proposed replacement of $1 notes with $1 coins and $2 bills could decrease the handling small bills by up to 60%, thus reducing the service charges these institutions can charge customers.

Unfortunately, the GAO did not study how much banks charge for handling notes and coins.

IX. Gaming Industry

At the November 6 hearing, Rep. James Bilbray (D-Nevada) testified that "I want to make evident that it is not the intention of this bill to require operators of coin operated [gaming] devises to bear the expenses of retrofitting their devices to accept the new coin."

The Coin Coalition supports this view. Many amusement game operators, mass transit systems, and coin laundries use tokens as part of their payment systems. Any change in the right to use these tokens would be highly disruptive of established practices.

The Coin Coalition believes that the "Final Statement of Treasury Policy Regarding the Use of Metal Tokens" published in the Federal Register, page 28679, on July 15, 1985, should not be altered in any way and that nothing in H.R. 1245 should be construed as changing the intent of that Final Statement.

Suggested Amendments to H.R. 1245

The Coin Coalition fully supports H.R. 1245, but offers the following technical improvements.

1) **Change:** In Section 2 (a), replace "shall be gold in color" with "shall be golden in color" **Reason:** It is not the intent to have a coin plated with the metal gold. Thus, the adjective "golden" is more accurate.

2) **Change:** In Section 2(a), replace "shall have tactile features on the surface thet aid the visually handicapped" with "shall have tactile features on the obverse and/or reverse that aid the visually impaired". "Obverse" and "reverse" are preferred terms of art. "Impaired" is the preferred term.

3) **Change:** In Section 2(c), add "Prior thereto, the Secretary may include such new $1 coin in any numismatic set produced by the Mint." **Reason:** To aid the promotion of the new $1 coin, the Mint may want to include the $1 coin in proof and uncirculated sets prior to general circulation. This could help avoid scheduling problems relative to the usual production of proof and uncirculated sets.

4) **Change:** Delete all of Section 4. **Reason:** The Mint has the authority under existing law to replace old coins with new coins and offset the seigniorage. By 1995, hundreds of vending operations, mass transit authorities, and the U.S. Postal Service will be using the Anthony dollar in their operations. It is possible that the new coin may not be able to circulate side by side with the Anthony dollar because the surface alloy (at a minimum) will be slightly different. Therefore, the existing store of Anthony dollars may be needed to meet the short-term needs of the marketplace.

5) **Change:** Delete all of Section 5. **Reason:** Under existing law, the Bureau of Engraving and Printing prints Federal Reserve Notes to meet the demand of the Federal Reserve System, which in term fills the orders of commercial banks. This section was included in H.R. 1245 as an indication to the public that there will be a paper alternative to the one dollar coin.

The Coin Coalition is pleased to submit draft legislative language in Appendix IV on the above points.

Design of the $1 Coin: Alternatives

America's Veterans. The Coin Coalition endorses the language of H.R. 1245, which calls for a "design recognizing America's Veterans." At the time the bill was introduced, Rep. G.V. "Sonny" Montgomery, an original co-sponsor of the bill, said, "this design will recognize veterans from all wars and will be a daily reminder of the valiant contributions millions of American men and women have made to freedom around the world. No single group in our society better typifies the words found on all U.S. coins, 'Liberty' and 'E Pluribus Unum,' [One out of many] better than America's veterans."

George Washington. Tradition suggests that Washington should remain on the $1 denomination. Because he is already on the quarter, that coin would then be free for a new design. This would be consistent with the movement to redesign the penny, nickel, dime and quarter. Many numismatists would like to see patriotic themes on circulating coins. The above mentioned America's veterans theme would be in keeping with that philosophy.

Liberty Head. Prior to the selection of Susan B. Anthony for the dollar coin issued in 1979, Frank Gasparro, Chief Engraver for the U.S. Mint, had already prepared a "flowing hair" Liberty Head/Flying Eagle design that many have called strikingly handsome. Use of this design would be in keeping with classic coin designs from the past and might save time and money.

Native American. Native Americans appeared on the penny from 1858 through 1909, on the nickel from 1913 through 1942, and on various gold coins.

Black Americans. No black American has ever appeared on U.S. coinage. The names of Martin Luther King and Frederick Douglas have been mentioned as candidates for this honor.

Columbus. A theme "symbolizing the five hundredth anniversary of the discovery of the New World by Christopher Columbus" is called for in S. 844, the Senate's version of the One Dollar Coin Act.

Following is a brief summary of the positions of Coin Coalition members:

American Amusement Machine Association. Manufacturers of amusement games. Dollar bill validators add $400 to $600 to the cost of each machine sold to amusement game operators.

American Council of the Blind. If there were no $1 dollar bills in circulation, small purchases could be made without fear of accidentally spending a large bill or of being cheated when receiving change.

American Public Transit Association. Coins can be processed more cheaply than bills. Boarding times are faster on buses, security is better, and the threat of counterfeiting is reduced.

Amusement and Music Operators. Coin mechanisms are cheaper than bill validators, and they can be used without electricity on pool tables and other free-standing amusement games.

Chicago Transit Authority. The transit industry requires a fare medium that is easily reconcilable and accountable with limited labor costs. The dollar coin serves that purpose. The Chicago Transit Authority continues to state that it can save $2-3 million annually by processing coin instead of currency.

Council for Citizens Against Government Waste. The 450,000 member CAGW, an outgrowth of the Grace Commission, supports the $1 coin proposal. It would save the government $862 million, because coins last longer the bills. Tax-supported public transit authorities would also save millions of dollars.

Copper and Brass Fabricators Council. If a copper alloy is used for the new $1 coin, fabricating the strip for the Mint would create additional jobs and revenue in the industry.

Copper Development Association. If the Mint selects a copper alloy for the coin, there would be increased productivity in this industry. Dimes and quarters are 92% copper. Copper is used by most countries for coinage because it is malleable, and its high conductivity makes it a good metal for electronic validating.

International Association of Amusement Parks & Attractions. Many IAAPA members own and operate amusement games (see AAMA and AMOA above) as well as run food service operations, where coins are faster to process than cash.

Multi-housing Laundry Association. The handling of coins by the user and the operator will be facilitated, both lowering costs and increasing income.

National Association of Concessionaires. Handling coins is faster than handling paper, which is particularly helpful at stadiums when sales are highly concentrated during breaks in athletic events. Wet bills are dirty to handle in a food service setting.

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National Association of Convenience Stores. For convenience stores, coins are faster to handle at the cash register than bills. However, handling one dollar coins along with one dollar bills would be the worst case scenario.

National Automatic Merchandising Association. The forced use of bill acceptors due to the failure of the Susan B. Anthony dollar coin to circulate has added major cost ($400) to each vending machine so equipped. As higher denomination bills are used in these acceptors to make vending purchases, large quantities of quarters are dispensed in change, rapidly exhausting coin bank reserves and prematurely putting machines out of service until quarter supplies are replenished. Customers are also weighted down with the numerous quarters they receive. The increased equipment investment also shrinks returns, which are already marginal for most vending businesses. For machines without bill acceptors, inflation has caused the number of coins needed to purchase many products to increase dramatically. Unit sales decline as the number of coins needed to make a purchase increases. The future of many, if not most, of the small businesses and the 100,000 plus people employed in this industry will be seriously threatened without a widely circulating $1 coin.

National Campground Owners Association. Campground owners offer many coin-operated services to their customers including public telephones, amusement games, vended merchandise, and coin laundries. Dollar coins would aid in marketing all these services and would substantially reduce the handling and processing time now associated with paper currency.

National Confectioners Association. Ease of using coins instead of paper currency at the point of purchase is beneficial to the confectionery industry, as is the positive impact the coins would have on the use of vending machines.

National Council of Chain Restaurants. Same position as the National Association of Convenience Stores.

National Coffee Service Association. NCSA represents the office coffee service (OCS) industry of approximately 3,500 companies serving over 88 million customers. Many of the OCS operations provide a wide variety of table-top as well as full-line vending machines and this involvement in vending justifies our support of the $1 coin.

National Parking Association. Parking meters will soon lose their ability to collect revenue. For example, fees in downtown Chicago currently are 12 quarters for two hours. In 10 to 12 years, that could rise to 24 quarters.

National Soft Drink Association. The vitality of the vending industry is important to the soft drink industry, as a significant portion of industry sales are generated through vending.

Public Telephone Council. Dollar coins would provide greater access and convenience for migrant workers, the armed forces, students, and other persons who do not have credit cards.

RP Foundation Fighting Blindness. Same position as the American Council for the Blind.

Randolph-Sheppard Vendors of America. As blind businessmen who handle large quantities of money on a daily basis, they share the same concerns as other businessmen in the cash retail industry. They want a coin that has unique surface qualities, in addition to an unreeded edge.

The Seniors Coalition The Seniors Coalition fights for sound, fiscally responsible government policies. We believe the introduction of the dollar coin would help protect fixed-income senior citizens from the ravaging effects of inflation.

Smarte Carte Inc. As a provider of rental carts in major airports and transportation terminals, Smarte Carte must use (12-volt) bettery-operated bill validators in their free-standing rental machines. A dollar coin would help them reduce operating costs, as coins are more reliable and easier to count. Most other countries have large denomination coins that allow easier vending of products.

Snack Food Association. Same position as the National Soft Drink Association.

Southeastern Pennsylvania Transit Authority. SEPTA spends $375 each year to manually count 32 million dollar bills received on its 1,700 buses and trolleys. The dollar bill problem is one of the prime reasons for purchasing a $13.2 million farebox system that has a dollar bill stacker.

Southern California Rapid Transit District. See statement of SCRTD presented at today's hearing.

TravelLoc Inc. TraveLoc rents wall lockers in major transportation terminals, using quarters and Anthony dollars, which must be provided for the customer in bill changing machines. A circulating dollar coin would reduce cash flow needs and cash handling.

Appendix I

COST SAVINGS OF A $1.00 COIN

Dollars in millions

Savings components:	Average annual savings GAO	Average annual savings Alternate	
Reduced currency production and processing costs	$41.4	$105.2	(1)
Interest expense avoided through seigniorage	461.1	1,064.9	(2)
Subtotal	$502.5	$1,170.1	
Less additional costs:			
Start-up costs	0.6	0.6	
Increased Mint production costs	6.6	6.6	
Loss in Federal Reserve portfolio earnings	177.1	84.9	(3)
Subtotal	183.4	92.1	
Net annual budgetary savings	$318.2	$1,078.0	

NOTE: All values are in present value 1990 dollars averaged over 30 years.

1) In 1979, William Wallace of the Federal Reserve Bank testified before the House Banking Committee that the Anthony dollar would save the government $50 million annually in production costs. Using Wallace's methodology (see Appendix II) and 1990 GAO production estimates, a figure of $105.2 million is calculated. Production costs of $1 notes are now 3.0¢, according to 4/23/91 testimony by the Bureau of Engraving & Printing.

2) The GAO estimates thet the $23.1 billion average cumulative seigniorage would result in a $461 million a year reduction in interest costs and future budget outlays and deficits. (See page 16 of the GAO report.) This assumes an annual rate of only 2.0% interest. Using the present value rate of 4.61% used by the GAO (See pages 37 and 42.), the interest payments avoided would be $1,064.9 million.

3) The GAO assumes that 0.0% of the 5.0 billion $1 Federal Reserve Notes remain in circulation. This assumes that no $1 notes have been destroyed or lost over the past 50 years and that none will be saved as souvenirs. The experience in Australia was that 44.7% (43 million / 96 million) were never returned from circulation and in Canada 49.4 (168 million / 340 million) are still outstanding. Both countries report that virtually no $1 notes are being returned at this time. The $1 note does not circulate in Canada and Australia.

   Assuming that 40% of U.S. $1 notes are never returned, this would mean that the Federal Reserve's portfolio earnings would be reduced by substantially less than $177 million. Prof. McCandless estimates that 48% of U.S. notes will not be returned.

At the same time, we must do all we can to assure the success of the new coin. Considering the recent experience with the $2 bill and the widely held concern that market acceptance of the $1 coin may not materialize, one available option which a joint Treasury/Federal Reserve task force has recently recommended would be to develop a plan to systematically replace $1 notes with $1 coins and $2 bills. Whatever future steps are decided upon, the Federal Reserve believes that the potential significant cost savings associated with substitution of a durable coin for paper money—such as that contemplated by issuance of the Susan B. Anthony dollar—should not be ignored.

COST BENEFITS OF THE ANTHONY DOLLAR

I. Comparison with $1 note 1979		1990
A. Production cost		
Anthony dollar=$.03.	new dollar	$.06*
Average life=15 years.		30 years*
Average annual cost ($.03÷1.5 years)=$.002.	($.06 / 30 yrs.)	$.002
$1 note=$.02.		$.026*
Average life=1.5 years.		1.4 years*
Average annual cost=($.02÷1.5 years)=$.013.	($.026 / 1.4 yrs)	$.01857
$1 notes in circulation=3.1 billion.	at 1/31/90	4.6 billion
Annual cost of maintaining $1 notes in circulation=$40.3 million.		$85.4 million
Annual cost of maintaining $1 coins in circulation=$6.2 million.		$9.2 million
Production cost savings ($40.3 million—$6.2 million)=$34.1 million.		$76.2 million
B. Processing cost		
Currency processing cost/1000 notes=$3.849.		$4.38*
Coin processing cost/1000 pieces=$.381.		$0.27*
Annual cost of processing $1 notes=$17.7 million.		
Annual cost of processing equivalent number of $1 coins=$1.7 million.		
Processing cost savings ($17.7 million—$1.7 million)=$16 million.		$29 million*
C. Total cost		
Currency total cost=$58.0 million per year.		
Coin total cost=—7.9 million per year.		
Total savings with $1 Coin=$50.1 million per year.		*GAO estimates

II. Comparison with Eisenhower dollar

Annual demand for Eisenhower dollar=80 million.
Production cost of Eisenhower dollar=$.08.
Production cost of Anthony dollar=$.03.
Net savings per coin ($.08—$.03=$4 million.
Annual savings (80 million×$.05)=$4 million.

Chairman ANNUNZIO. Thank you, Mr. Wallace, for your statement. I have one question at this time: Is the Federal Reserve Board planning to eliminate the $1 bill?

Mr. WALLACE. No, sir, we are not definitely planning to do that. I know that Governor Coldwell's comment has been quoted here this morning. I am sure that it is safe to say that Governor Coldwell did not intend that remark to be interpreted to mean that we are planning any kind of unilateral action.

Chairman ANNUNZIO. As we look down the road and see the future, can the subcommittee and I, as chairman of the Consumer Affairs Subcommittee—can we say, or believe, by your remarks, that the $1 bill will be here for the next year or two?

Mr. WALLACE. Until such time as a decision is made to eliminate them. And we have held all along, Mr. Chairman, that that decision would have to be a joint Federal Reserve/Treasury decision, and it would have to be made in consultation with the Congress. We have never advocated anything else.

From testimony before the House Committee on Banking by William H. Wallace, Staff Director of the Federal Reserve Bank. September 25, 1979.

Appendix III

INFLATION and COINS

	1961	1991
Daily newspapers (most)	$0.05	$0.35
Soft drink, vended	.10	.65
Pay phone, local call	.10	.25
First Class postage stamp	.04	.29
New York City subway fare	.15	1.15
Bread, 1 pound	.19	.71
Milk, 1/2 gallon	.49	1.36
Ground beef, 1 pound	.51	1.57
Gasoline, 1 gallon	.31	1.15
9 item average	$0.22	$0.84

Conclusion: In 1961, the average "small item" could be purchased with a single coin. In 1991, three or more quarters are needed for most purchases.

Sources: American Newspaper Publishers Association
American Petroleum Institute
National Automatic Merchandising Association
U.S. Bureau of Labor Statistics

Prepared by The Coin Coalition
October, 1991

Appendix IV

A BILL

To provide for the minting and circulation of one dollar coins, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of American in Congress assembled,

SEC. 1. Short Title.

This Act may be cited as the "United States One Dollar Coin Act of 1991".

SEC. 2 ONE DOLLAR COINS.

(a) COLOR AND CONTENT.-- Section 5112(b) of title 31, United States Code, is amended by deleting the second word in the first sentence and by inserting after the fourth sentence, the following "The dollar coins authorized under subsection (a)(1) shall be golden in color shall have an unreeded edge shall have tactile features on the obverse and/or reverse that aid the visually impaired to differentiate the $1 coin from other circulating coins, and be minted and fabricated in the United States. The coin should have similar metallic, anticounter-fieting properties as existing United States clad coinage

(b) AMERICAN VETERAN DOLLAR COIN Section 5112(d)(1) of title 31, United States Code, is amended by striking out the sixth sentence and inserting in lieu thereof the following: "The obverse side of the dollar shall have a design recognizing America's Veterans.".

(c) EFFECTIVE DATE.-- Not later than 36 months after the date of enactment of this Act the Secretary of the Treasury shall place into circulation one dollar coins authorized by section 5112(a)(1 of title 31, United States Code, in accordance with the amendments made by subsections (a) and (b). Prior thereto, the Secretary may include such new $1 coin in any numismatic set produced by the Mint.

SEC.3. CEASING ISSUANCE OF ONE DOLLAR NOTES.

(a) Six months after the date that the first coins referred to in section 2(c are placed in circulation, the Federal Reserve Bank shall be prohibited from ordering new $1 Federal Reserve Notes and placing the same into circulation Any $1 notes that come into the possession or control of any Federal Reserve Bank thereafter shall be retired.

(b) Thereafter, the Secretary shall produce only such Federal Reserve notes of the one dollar denomination as are required from time to time to meet the needs of collectors of this series which shall be produced in sheets and thereafter sold by the Secretary in whole, or in part, as a price exceeding their face value that, at a minimum, reimburses the Secretary for the cost of production.

Appendix V

Materials Savings from Coinage Reform

Paper decrease:

3.16 billion $1 bills (75% cotton, 25% flax) were produced in 1989. Currency demand typically grows by about 5% per year Thus, annual demand for $1 bills could be expected to be about 4 3 billion by 1995 -- the first year that a $1 coin could be expected to be in full circulation Treasury estimates that the current supply of 4.3 billion $1 bills would be replaced by between 5 and 10 billion coins, because coins are inventoried in vending machines, toll booths, etc. Assume that 7 billion coins are needed.

4.3 billion $1 bills, reduced by production of about 1.6 billion $2 bills. Net 2.7 billion reduction in note printing. 490 bills to the pound.

Annual savings in cotton production, 2,070 tons; flax, 700 tons.

(At 1000 pounds of cotton per irrigated acre, and from 4 to 7 acre feet of water per acre, a $1 coin could save between 16,000 and 28,000 acre feet of water, to the extent that the cotton used for $1 bills comes from irrigated lands.)

Ink decrease: The BEP's estimate for FY 1990 ink use for $1 bills is 1,805 tons. If 40% of $1 bills are replaced by $2 bills (the GAO estimated 25%), 80% of the ink will be saved. VOC emissions will be reduced from the BEP printing plants in Washington, D.C. and Fort Worth. Annual reduction in ink production, 1,444 tons.

Copper increase:

The new dollar coin would likely be copper because of domestic supply, copper's low electronic residence for anti-counterfeiting measure, malleability.

Initial inventory of 7 billion $1 coins, assuming 85% copper at 8.1 grams/coin would require 53,125 tons of copper; 9,375 tons of other alloys -- perhaps nickel.

Dollar coins are expected to last 30 years. Paper bills last, according to General Accounting Office, 17 months, though the Coin Coalition believes that number may be as low as 15 months.

Dollar coin production would replace some quarter production, thus causing a minor reduction in the use of copper for quarters, which are 92% copper, 8% nickel. (perhaps 1000 tons a year.)

Appendix VI

Editorial Support

These newspapers and columnists support the $1 coin and, in most cases, expressly endorse the phasing out of $1 bills.

Newspaper	Dates
Annapolis Capital	6/24/90
Ashland (OR) Tidings	6/29/91
Baltimore Sun	7/4/91
Bartlesville (OK) Examiner	10/17/89
Boston Globe	1/10/89
Bridgewater (NJ) Courier-News	6/19/90
Canton (OH) Repository	6/25/90
Chicago Tribune	2/20/88 and 11/12/91
Chicago Sun Times	12/26/90
Columbus (OH) Dispatch	5/29/90 and 11/9/91
Dallas Morning News	6/20/90 and 7/27/91
Dallas Times-Herald	6/22/90
Des Moines Register	7/13/88, 7/1/89 and 9/28/89
Fort Wayne Journal-Gazette	9/22/87 and 8/4/89
Fresno Bee	7/7/89
Hickory (NC) Daily Record	10/1/87
Huntington (WV) Herald	10/21/90
Joplin (MO) Globe	6/21/90 and 8/10/91
Kingsport (TN) Times-News	4/11/90
Lewiston (ME) Sun-Journal	10/17/89, 6/25/90 and 11/6/91
Lincoln (NE) Star	7/3/90
Los Angeles Daily News	4/16/88
Louisville Courrier-Journal	7/28/91
Lynn (MA) Daily Evening Item	4/30/88
Mamaroneck (NY) Times	6/25/90
Minneapolis Star Tribune	9/29/89
New York Times	3/9/89, 9/24/89 and 6/3/90
Norwalk (CT) Fairpress	6/28/90
Owensboro (KY) Messenger	6/27/90
Pensacola News Journal	5/18/90
Pittsburgh Post-Gazette	7/11/90
Portland (ME) Evening Express	5/29/90
Portland (ME) Press Herald	6/22/90 and 9/4/91
Portland, The Oregonian	7/4/91
Roanoke Times & World	12/14/87
Sacramento Bee	7/9/89
St. Louis Post-Dispatch	7/20/89
Salt Lake City, Deseret News	10/5/87, 11/22/88 and 6/26/90
San Francisco Chronicle	2/25/89 and 5/26/90
San Gabriel Valley Tribune	4/21/91
Scripps Howard Newspapers	4/11/88
Texarkana Gazette	6/27/90
Temple (TX) Daily Telegram	10/9/89
Wakefield (MA) Item	10/11/89
Wilkes-Barre Citizens' Voice	4/2/91

Columnists	
William F. Buckley, Jr.	11/28/89
Stephen Chapman, Chicago Tribune	11/7/91
James J. Kilpatrick	1/23/88
Michael Kinsley	7/12/90
Gus Carlson, Miami Herald	6/25/90
Thomas Gephardt, Cincinnati Enquirer	3/11/90
Bob Moos, Dallas Morning News	10/20/89
Barry Rascovar, Baltimore Sun	6/25/89
Richard Roeper, Chicago Sun Times	6/25/91
Harry Themal, Wilmington News Journal	9/18/90

Complete copies of articles available from the Coin Coalition.

Costs and Benefits of Replacing the One Dollar Note with a One Dollar Coin

by

George T. McCandless Jr.

The University of Chicago
1126 E. 59th Street
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October 1991

Costs and Benefits of Replacing the One Dollar Note with a One Dollar Coin

George T. McCandless Jr.
The University of Chicago

Executive Summary

In this study, we estimate the costs and benefits that would occur over the next thirty years from removing the one dollar bill from circulation and replacing it with a one dollar coin. The (conservative) estimates we get are that the present value of the public and private savings are $34.453 billions (when the stream of savings is discounted by a real interest rate of 2%) or $22.789 billions (when the stream of savings is discounted by a real interest rate of 5%). These present values are equivalent to constant annual savings of $1.508 billions (from the 2% estimate) or $1.411 billions (from the 5% estimate).

The estimates of the present value of savings in expenditures by the government over the next thirty years are $20.247 billione (when discounted at 2%) or $13.925 billions (when discounted at 5%). These present values are equivalent to constant annual governmental savings of $886.34 millions (from the 2% estimate) or $862.76 millions (from the 5% estimate). There are two main sources of these savings. One is the reduced processing costs that accrue to the Federal Reserve System from the lower cost of processing coins compared to bills. The other is from an increase in seigniorage that goes to the Treasury. Coins tend to be beld by the public longer than bills and therefore the outstanding stock of one dollar coins will be larger than the stock of one dollar bills. Since there is approximately 94 cents of seigniorage in each coin, and this seigniorage is credited against the national debt, the Federal government pays less interest on its debt with

the coins. Since coins last thirty years, compared to 1.4 years for bills, the coins actually cost less to produce in the long run. Switching to a one dollar coin increases costs in the short run but lowers them once the stock of coins is in place.

Estimates of the present value of savings to the private sector over the next thirty years are $14.206 billions (at 2%) or $8.864 billions (at 5%). These present values are equivalent to a constant annual savings of $621.9 millions (from the 2% estimate) or $549.1 millions (from the 5% estimate). Included in these estimates of "private" savings are these savings that accrue to local governments. The main sources of these savings are reduced processing costs for mass transit systems, coin vending machine operators, coin laundry services, and the banking industry.

Some cost and benefits are difficult to quantify. A survey on market acceptance of the one dollar coin discovered that men (because they carry coin in their pockets) generally found it inconvenient while women did not. The failure of the coinage system to provide a large denomination coin increases the costs of a number of public services for the poor and those with limited access to credit. The visually impaired would find a distinctive one dollar coin much easier to identify than the one dollar bill. We see absolutely no reason why the introduction of a one dollar coin would cause inflation. The current need for that coin is a reflection of inflation that has already occurred. If anything, the cost savings generated by the coin would allow prices to be lower, not higher.

Costs and Benefits of Replacing the One Dollar Note with a One Dollar Coin

George T. McCandless Jr.
The University of Chicago

1. Introduction

A rational coin system providos low denomination money that is easily transportable, provides ease in making change, minimizes the government's cost of providing currency, and contains denominations that conform to the needs of the public. The coinage system is a public good in the sense that an appropriately designed system permits the public to make transactions at minimum cost and inconvenience.

Inflation in the United States over the last thirty years has quadrupled the price level so that a quarter of 1960 has approximately the same purchasing power as a dollar today. The quarter fulfilled a number of coin particular functions in 1960. It was a coin with enough purchasing power so that a large number of transactions could occur with only one of these coins. It was convenient for machine use since a single dollar was werth enough to warrant the intervention of a clerk. Today, there is no coin in circulation that fulfills these functions.

In countries where the government has failed to provido appropriate coinage, the public has been forced to resort to more expensive, private means. In Argentina, where a long history of inflatien has driven coins from the economy, the telephone company produces tokens for local calls (long distance calls can not be made from pay phones). Self service laundries require clerks to sell toksns of their own making to use in the machines.

Buenos Aires has an extensive network of kiosks (small shops selling newspapers, stamps, and other small items) that permit the distribution of various kinds of private, special use, tokens. However, such a system requires a large number of low paid workers in these Kiosks and these low productivity workers generate considerable social cost.

In the United States, the difficulties caused by the absence of a larger denomination coin has not reached the proportions of the Argentine problems. However, it currently takes between three and twelve quarters to use a coin washing machine, parking meters in a number of cities are requiring four quarters an hour, some pay phones only accept charge cards, and vending machine operators have been bearing (or passing on) the expense of installing bill validators as the price of many of their products pass one dollar. While the current situation is not critical, continuing inflation (at even 5% a year) will make the entire coinage system small change. Proposals are heard from some city administrations for eliminating coin use and instituting debit cards for public transport, for parking meters, and for toll collection. The rise of these proposals for infrastructure change are clear evidence that the current coinage system is not fulfilling its functions.

The introduction of a one dollar coin is one step in regularizing the U.S. coinage system. Such a coin fills the same place that the quarter did some thirty years ago. It would serve as a public good that lowers the cost of providing a large number of services. In additien, the replacement ef the one dollar bill with a coin generates considerable cost savings for the government from production costs, processing costs, and seigniorage.

In this paper, we estimate the costs or savings over the next thirty years from switching from a one dollar bill to a one dollar coin beginning in 1993. These estimates are in terms of the present value of the costs or savings evaluated at two different discount rates. We consistently use current prices for services and than discount the cost or savings streams by both 2 and 5 percent. While 2 percent seems very low, it reflects a real discount rate equal to the average real interest rate over the last 150 years of U.S. history. A 5 porcent real discount rate is large and represents a fairly shortsighted approach to planning.

We estimate that the present value of the savings in the expenditures of the government over the next thirty years are $20.247 billions at a 2% discount rate or $13.925 billions at a 5% discount rate. These numbers represent a constant annual governmental savings of $886.34 millions (from the 2% estimate) or $862.76 millions (from the 5% estimate). A very conservative estimate of the present value of private savings over the next thirty is $14.206 billions (at a 2% discount rate) or $8.864 billions (at a 5% discount rate) These are equivalent to a constant annual savings of $621.9 millions (from the 2% estimate) or 549.1 millions (from the 5% estimate). The 5% estimate is lower because more of the private savings occur in the future which has less value at the 5% discount rate. A conservative estimate of the present value of total private and public savings from the introduction of a dollar coin is $34.453 billions (at 2%) or $22.789 billions (at 5%). These present values are equivalent to constant annual savings of $1.508 billions (from the 2% estimate) or $1.411 billions (from the 5% estimate).

2. Production costs and benefits that accrue to U.S. Treasury or Federal Reserve System

The cost savings by eliminating the production of the one dollar bill and instead producing a one dollar coin come from several sources. The clearest of these is a direct savings generated by the extra durability of coins with respect to bills. Currently, a one dollar bill has an average life of 1.4 years. The average useful life of a one dollar coin is more like 30 years. The current cost of producing a one dollar bill is $30 per thousand and the estimated cost of producing the one dollar coin is $60 per thousand. In every country that has shifted from bills to coin, the coin circulation has stabilized at a level significantly higher than the level of circulation for bills. In Australia, before the two dollar coin was introduced, the one dollar coin circulation was 2.5 times the trend[1] of the dollar bill circulation. In Canada, the one dollar coin circulation reached 1.56 times the trend of the bill circulation by January 1991, and this ratio was still rising, although slowly. We (as did the GAO report on the one dollar coin) use a ratio of 2.0 for an estimate of final coin circulation relative to the trend of the one dollar bill. Assuming that the dollar coin could be implemented by 1993 (this assumption is optimistic and is used only to determine the quantity of dollars that are replaced by coin), we find that the present value cost savings over the next thirty years from the coin are $2.631 billions with a discount rate of 2 percent or $1.463 billions with a discount rate of 5 percent. This difference is so large because the majority of the costs (the production of the initial batch of coins) is faced immediately and the gains appear in the future. The lower discount

[1]We compare the actual coin circulation to the bill circulation that would have occurred if the growth rate of bills for the five years immediately preceding the introduction of the coin was to have continued.

rate gives greater value to the future.

There are two additional sources of added costs associated with the replacement of a one dollar bill by a one dollar coin. With the removal of the one dollar bill, it is expected that there will be further utilization of the two dollar bill.[2] In both Australia and Canada (countries in which the two dollar bill is much more used in normal commerce than that denomination is used in the United States), the rise in the use of the two dollar bill was fairly modest, slightly less than 20% above trend in Canada and only very slightly above trend in Australia. The introduction of the one dollar coin did not substantially change the way consumers used the two dollar bill in these countries. Given this evidence of habit persistence, one should not expect the use (and therefore production) of the two dollar bill to increase by more than 20% in the United States. Since the current usage of the two dollar bill in the United States is so slight, we should expect only small additional costs from this source. However, the cost of producing all other denomination bills will increase slightly. A Federal Reserve report estimates that reducing note production from a 9.2 billion to 6.2 billion, as would happen with the removal of the one dollar bill, would increase per unit cost of the remaining bills from $30.00 per thousand to 41.83 per billion. However, the quantity of bills produced will increase with time and should gradually return to the $30.00 per thousand level.

[2]The language of H.R.1245 mandates increased production of the two dollar Federal Reserve Notes "to meet anticipated demand. Since it is anticipated that production of the one dollar coin will require that it be phased into circulation and the law mandates the removal from circulation all one dollar Federal Reserve Notes that are turned in to a Federal Reserve Bank beginning only 6 months after the coin is introduced the intent of this portion of the law is to encourage production and circulation of $2 notes. Instead, it may well be that banks will process one dollar notes internally and only turn them in after sufficient coin has entered circulation.

Given the growth seen in the use of the 20 dollar bill, we estimate that there will be an 8% annual increase in the production of higher denomination bills and that production will reach the 9.2 billion level in five years. The additional discounted cost of the reduced production is $221.5 millions (at the 2% discount rate) or $213.3 millions (at 5%).

One major effect of the introduction of the one dollar coin is the resultant reduction in the use of the quarter. Each one dollar coin will replace four quarters in coin machines and mass transit, so the need for quarters (aside from the penny, the largest commonly used denomination coin) should decline. Figure 1 shows the time trend and the actual path of the 20 and 50 cent pieces in Australia after the introduction of the dollar coin in 1984. Circulation of both of these coins declined. In Canada, we do not have circulation figures, but the average production of the 25 cent piece declined after the introduction of the dollar coin. As a conservative estimate, we assume that the production of the quarter stays constant if a dollar coin is introduced and compare the cost of producing this stream to the cost of the trend (2.37%) growth. The introduction of the dollar coin reduces discounted costs of quarter production by $612.6 millions (at 2%) or $361.9 millions (at 5%).

The present value of the total production cost savings over thirty years that accrue to the U.S. Treasury from the one dollar coin are $3.0221 billions if discounted at 2% or $1.5623 billions if discounted at 5%.

Note: The Bureau of Engraving and Printing is just completing an ambitious expansion project, including a new production facility in Fort Worth, Texas.

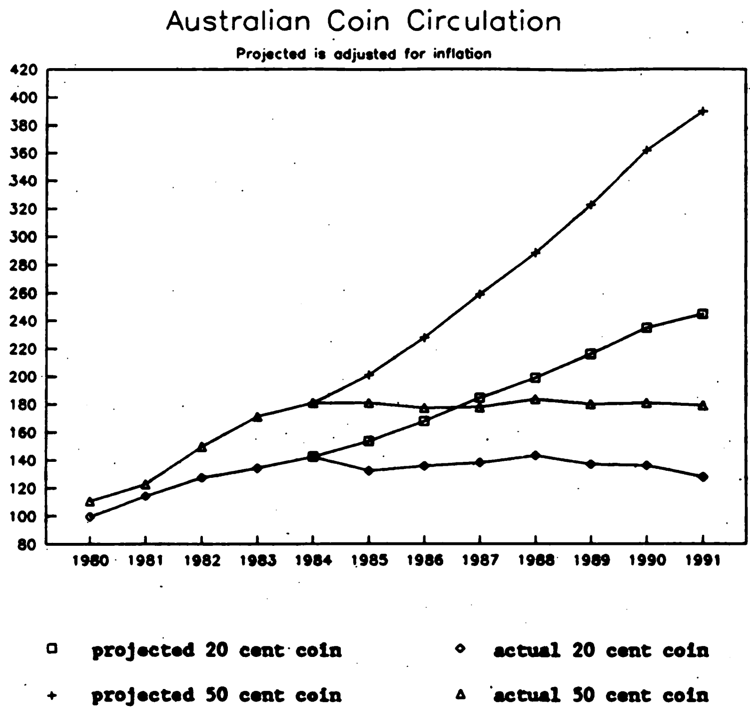
Australian Coin Circulation
Projected is adjusted for inflation
420
400
380
360
340
320
300
280
260
240
220
200
180
160
140
120
100
80
1980
1981
1982
1983
1984
1985
1986
1987
1988
1989
1990
1991
projected 20 cent coin
actual 20 cent coin
projected 50 cent coin
actual 50 cent coin

Figure 1

They have increased their printing capacity to 10.6 billion notes a year. If the dollar coin replaces the dollar bill, they will experience a substantial, but short term, reduction in note production and considerable over capacity. However, if the current rate of expansion of the money supply and the use of the twenty dollar bill continues, then this excess capacity will disappear in five to eight years.

3. Processing costs and benefits that accrue to Federal Reserve System

It is considerably cheaper for the Federal Reserve System to process coin than it is to process currency. From 1987 to 1990, the average activity cost of processing 1000 notes was $4.39 and the average activity cost of processing 1000 coins was $0.348. The total cost (activity cost plus overhead) were $6.487 and $0.64 for processing notes and coin, respectively. It is very difficult to estimate how overhead being charged to coin or note processing would change as a result of the switch from bills to coin. It is extremely unlikely that it would increase, so we choose the most conservative estimate of no change in overhead directly attributable to the switch from bills to coins. Given this assumption, the average activity costs would then be the appropriate measure of the processing cost differences.

A much larger proportion of the circulating notes passes through the Fed each year than of coin. The GAO report estimated that the Fed processed 156% of the currency in circulation each year and only 72% of the quarters in circulation. (It processes a much smaller portion of pennies. The denomination that the Fed ships out the most of is pennies, the denomination it receives the most of is quarters.) Quarters are the relevant coin for this study since it is likely that the dollar coin will follow a pattern through the economy similar to the quarter. The present value of the savings over thirty years in activity cost to the Fed is $1.429 billions (at 2%) or $909.4 millions (at 5%). In estimating these figures, we used the same estimates of circulation for one dollar bills or coins that we used in the production section.

The above calculations are the direct processing savings that come from the dollar coin. The dollar coin will also reduce the use of quarters in the economy and therefore reduce the processing costs that the Fed would otherwise face. We assume, as we did in the production section, that the production of quarters will remain constant rather than follow its current trend. We also assume that 2% of the quarters in circulation are lost[3] and that 72% of the quarters in circulation are processed by the Fed each year. The present value of the savings from roduced processing of quarters is $28.77 millions (at 2%) or $15.87 millions (at 5%).

4. **Seigniorage**

Seigniorage is the difference between the face value of a coin and its cost of production. The U.S. Treasury cannot apply seigniorage to current expenditures but only to reduce the need to borrow for the public debt. Gains from seigniorage are therefore the reduction in interest that the government pays from this reduction in its debt. Although the accounting methods are different, the seigniorage gain for the government is the same

[3]This estimate is in keeping with the coin loss figures from Ephraim Goldin, Statistical Analysis of Coins Lost in Circulation, *Journal of Business & Economic Statistics*, January 1985, Vol 3, No 1..

(ignoring production costs) whether it issues currency[4] or coin. When the Treasury mints coins, it grants itself seigniorage (which is applied against the federal debt) equal to the value of the coin minus its production costs.

If the Federal Reserve System purchases government bonds, it then owns the bonds and collects the interest that the government pays.[5] Although it is not under a legal obligation to do so, the Federal Reserve System has always returned to the Treasury all interest payments from the fedoral debt that it owns that are in excess of its operating cost. Aside from the cost of producing the bills, there are few additional expenses incurred by the Fed in the purchase of government bonds. So the Fed's income goes up by exactly the interest paid on the bonds it purchases with new money. If it incurs no expenses, then it returns exactly this much to the Treasury.

We have already evaluated the costs of physically issuing the dollar bills versus the appropriate amount of dollar coins. The savings from the production of coins are a net savings to the government relative to the cost it would have incurred producing the bills. Since these costs have already been accounted for in comparing bills to coins, they need not be accounted for again in calculating seigniorage.

Mainly because of the way consumers handle coins and because coins tend to become stockpiled in machines, the quantity of one dollar coins that would be in circulation is greater than the quantity of one dollar bills. These

[4]The gains from converting government debt into money (or currency) through the central bank the Federal Reserve System) are really seigniorage although the standard governmental terminology is portfolio earning.

[5]The Federal Reserve purchases government bonds with credits to the banking system. When they need currency, banks exchange these credits for Federal Reserve notes.

10H

additional coins generate additional seigniorage. Using the same assumptions as we used for the production section and using the interest rate on 12 month government bills (5.36%, the lowest interest rate the government is currently paying and therefore giving us the most conservative estimate of the gains being made) as the relevant interest rate, we calculate that, over the next thirty years, the additional coin circulation produces interest avoided through seigniorage with a present value of $15.523 billions (at a 2% discount rate) or $9.873 billions (at 5%). In the first year of issue, the interest avoided from seigniorage is $352.269 millions.

The experience of Australia, Britain, and Canada suggest that additional gains will occur because the entire stock of outstanding one dollar bills will not be returned to the government. One also notes from the experience of these countries that the percentage of the stock of one dollar bills that is not returned varies with the purchasing power of the bill. Table 1 illustrates the relationship between the value of the bill and the quantity returned.

Table 1

Country	Date of Redemption	Percent not redeemed	Value of bill (in U.S.$, 1985)
Australia	1984	46.74 (by 1989)	$0.854
Britain	1983	15.91 (by 1989)	$1.552
Canada	1987	50.89 (by 1991)	$0.731

At the current rate of inflation, the U.S. dollar will be worth $0.78 of 1985 dollars in 1993. If that is the date of redemption of the bills, the relation suggested above indicates that we could expect only 52% of the

3.65 billion outstanding bills to be redeemed (or 48% will not be returned to the government). These unredeemed bills represent an additional $1.752 billions in government debt that does not pay interest. At the interest rate of 5.36%, this represents an annual savings of $93.93 millions. The present value of this savings over thirty years is $2.145 billions (at 2% discount) or $1.516 billions (at 5%).

One last item with respect to seigniorage. There currently exists, stored in warehouses, a substantial number Susan B. Anthony dollars for which the Treasury has claimed seigniorage. Aside from the economic question as to whether it is reasonable to claim seigniorage on coins a government mints and stores (following this logic one could eliminate the federal debt by minting and storing enough coins), there is the question of what to do with these coins. If these coins are destroyed, as has been suggested in some legislation, this would entail a cost of approximately $8 millions to melt down the coins and a seigniorage loss of 415 millions (according to GAO testimony). The metal from these coins can be used to produce other clad coins and their scrap value (of at least $24 millions) greatly exceeds the meltdown costs. Since the fate of these coins is not determined, we assume that they will remain in storage and their seigniorage will continue to be counted.

5. Total governmental savings

The calculation of the present value of the total savings of the government can be seen in Table 2. Using a real discount rate of 2%, the savings over thirty years has a present value of $22.4729 billions. Using the real discount rate of 5%, the savings over thirty years has a present value of

$15.6688 billions.

In order to interpret these present values of savings we can calculate the constant amount of savings that would result in each of these present values at the appropriate discount rate. Constant annual savings of $886.34 millions would give a present value of $20.2479 billions if discounted at 2% and constant annual savings of $862.76 millions would give a present value of $13.9258 billions if discounted at 5%. These numbers are what we could compare to the estimated savings given in the GAO report of $318 millions.

Table 2

Source	Present value of savings (in millions) at 2% discount rate	at 5% discount rate
Direct cost of production of one dollar unit	$ 2631	$ 1463
Increased cost of notes	$ -221.5	$ -213.3
Reduced production of quarters	$ 612.6	$ 361.9
Processing savings for Federal Reserve on dollar	$ 1429	$ 909.4
Processing savings on quarter	$ 28.8	$ 15.8
Interest savings from seigniorage on coins	$15523	$ 9873
Interest savings from portfolio earnings on unredeemed notes	$ 2145	$ 1516
TOTAL	$20247.9	$13925.8

6. **Mass Transit**

As of 1988, the average fare in the U.S. mass transit system was 66.2 cents, an increase of 100% over the average fare of 1979. At the current rate of inflation (5%) the average fare of all transit systems will pass one dollar by 1997. Actual fares in 1988 ranged from a high of $2.75 to a low of free and most of the larger ones (New York, Los Angeles, Chicago, and Washington) are already over one dollar. With continuing inflation, the average fare approaches one dollar and more and more transit systems have fares of one dollar or more. Once the fare reaches one dollar, dollar bills enter the system in large numbers (systems that allow change or sell tokens handle bills much earlier) and the transit system faces increased costs from handling bills. Some systems (for example, New York City) currently do not allow bills to be used on buses. However, as inflation drives up the fare, these systems will face increased pressures to accept bills. The Chicago Transit Authority (which has already purchased its equipment to handle bills) estimates the costs of processing bills, manually, at $22 per thousand compared to the costs of processing coins, mechanically, at $1.64 per thousand. In addition, equipping the buses in Chicago with bill feeders cost $1800 per vehicle. These bill feeders do not keep the bills in stacks, but do keep them flat and reduce tearing. Sorting costs, if the bills are inserted in a traditionel fare box, are even higher because bills need to be unfolded before being stacked. Approximately one-third of Chicago's fare revenues are in bills. We assume that expenses for other transit systems are similar. But that the current national average of fare revenues in bills is only 20%. This percentage is assumed to increase by one percent a year (actually a very low estimate) over the next thirty years if a one dollar coin is not introduced.[6]

The total revenue of the national transit system in 1989 was $5,468.0 millions. We assume a 5% rate of growth of revenues (less than the experience of the past ten years) and a one percent increase each year in the use of bills. Switching to coins would save $20.36 for every thousand bills that would have been received. The present value of this savings in processing costs over tha next thirty years is $2,497 millions (at a 2% discount rate) or $1,505 millions (at 5%). Additional savings will occur because the installation of bill feeders (accepters) can be delayed. The Southern California Rapid Transit District estimates that it can save annually $500,000 in maintenance on bill accepters and half the capital costs of purchasing fare boxes, or $750,000. These numbers are to be compared to the $3.25 millions it would save in dollar processing costs. For this transit district, other savings equal approximately one-third of the savings in bill processing. If this ratio persists throughout the country, then an additional savings with a present value of $832 millions (at 2%) or $502 millions (at 5%) would occur from roduced expenditure on and maintenance of bill accepters. The present value of total savings to tha transit industry from the introduction of a one dollar coin are $3.329 billions (at 2) or $2.007 billions (at 5%). These present values are equivalent to constant annual savings of $145.7 millions (at 2%) or $124.3 millions)at 5%).

[6]In countries with very high inflation rates (for example, Argentina in 1985) no coins are in use and 100 percent of transit fare transactions are in bills. During a visit to Argentina, the auther has experienced a fare where a minimum of of seven bills (two tens, one five, and four ones) were required to make exact change. Fare processing was extremely slow.

There is another, more difficult to quantify, welfare consideration of the one dollar coin. A number of transit systems sell packages of tokens at a discount to the regular fare because handling the tokens is considerably cheaper than handling money. In Chicago, for example, the CTA sells ten tokens for $9 while the regular fare is $1.25. These who ride the CTA frequently and can afford to purchase ten fares at once pay a price of $.90 a ride. The very poorest of frequent users (these who have difficulty in taking $9 from their daily budget) end up paying a higher cost than the more affluent who can afford tha tokens. A dollar coin would roduce the handling cost and the rational for the fare differential. This should lower the fare for the non-token users.

7. Vending and amusement machines

The introduction of a one dollar coin should reduce expenses for vending machines operators. The sources of these savings come from several sources. First, there will be lower processing costs with coins. Second, it is considerably cheaper to install an additional slot and change tube for a one dollar coin than it is to install a bill validator. A large portion of the machines in service already can accept the Susan B. Anthony dollar. Third, a one dollar coin can be recycled insido the machine as change while, under the current technology, one dollar bills cannot. If the one dollar coins cculd be used as change, larger bills could be accepted in the bill validators. This is particularly important since continuing inflation will drive prices well above one dollar for many items.

The estimation of the cost savings among vending machine operators (which can, at least potentially, be passed on to the consumer) include the following assumptions: 1) Sales in vending machines continue growing at the 6.5% rate that they have been growing ever the last ten years. 2) Dollar bills make up approximately 17% of current receipts of vending machines and that this will grow by one percent a year. 3) Processing and transportation costs on notes are $9.50 per thousand. This is lower than the cost experienced by transit authorities, because the notes come better organized. 4) Processing and transport costs on coins are $2.91 per thousand. We assume that there is no reduction in quarter use in vending machines from the introduction of the dollar coin. With these assumptions, we find that the present value of savings over thirty years from switching to a dollar coin are $4.785 billions (at 2%) or $2.796 billions (at 5%) These are savings for an industry that in 1990 did $25.8 billions of sales.

Bill validators cost between $350 and $450 to install in the factory and up to $600 to retrofit. Adding a one dollar coin to a new machine is very cheap and costs only $25 in parts and $50 in labor to retrofit (this is the cost on a soft drink vending machine). Vending machines have a useful life of between 8 and 12 years. One additional generation of machines could go without a bill validator if a dollar coin were introduced. There are currently 3.8 million machines in service. At a cost savings of $300 per machine for even 75% of the machines, the savings on not installing bill validators totals $855 millions or, spread evenly over ten years, has a present value of $783.37 millions (at 2%) or $693.21 (at 5%).

There are currently 2.5 million amusemsnt machines in service. They are still almost strictly coin operated machines using one of two kinds of coin validators. Mechanical validators (on about 80% of the machines) would require a new slot costing $14-18 dollars each. Electronic validators merely need to be reprogrammed to accept the new coin. Average life of a machine is five years, so that the next generation could come with dollar validators from the factory. The main gains from a dollar coin are user convenience and reduced processing and transportation costs. Assuming that on average one-half of the quarters are replaced by dollars, and that coin processing and transportation costs are $2.91 por thousand, then the present value of the savings over thirty years is $273.3 millions (at 2%) or $184.1 millions at (5%).

8. Other coin accepting machines

The continuing declining value of the dollar, and of the highest value common use coin, the quarter, will force us to change tha way we currently use a number of coin accepting machines. The use of coin operated laundry machines, psy telephones, coin operated newspaper boxes, and parking meters all require the user to carry substantial quantities of coin and, with continuing inflation, will soon require more. The average price of using a coin laundry machine is approaching one dollar and some machines that can clean larger loads already cost three dollars and require twelve quarters to use. In the larger metropolitan areas, parking meters now require $1 to $2 por hour. A number of national newspapers, especially the specialized ones and Sunday editions, now cost a dollar or more.

These increasing prices make it ever more unlikely that individuals will be carrying sufficient coin to make purchases or feed meters conveniently. It is unlikely that we will see bill validators on these machines, mainly because the volume of business is too small to warrant the expense per machine and tho machines are in locations without electricity and subject to easy damage. An alternative that has been suggested is to use debit cards for each or all of those types of machines.

The conversion to a dobit card would require substantial capital investment, beth in equipment and in the organization of the delivery system. Individuals would need to be able to acquire the debit easily and all of the machines would need to be able to accept them. It is not at all clear that the coordination necessary to have a national debit card system is possible and it is even questionable that local debit cards could be organized to work for all the systems mentioned. The machines (parking meters, for example) would need to be connected to electricity or, at least, be powered by bettery. The cost of the change in technology from coin operated to debit card operated is extremely difficult to estimate but is likely to be very large.

The main cost of introducing the one dollar coin is converting the current stock of machines to accept that coin. The cost of retrofitting a parking meter to accept a dollar coin the size of a Susan B. Anthony is between $15 and $20 or about $4 millions for the 206,000 parking meters in the twelve largest moter-using cities.

Currently, about ten percent of pay phone coin revenues, or $300 millions, come from long distance calls. Nonethaless, pay telephone installers have already begun to move away from coin use (both because of the small value of the quarter, the cost of having an operator handle the call, and the damage caused to the phone because of attompted theft). Pay phones that use a mechanical coin validator do not provide enough room for a new one that accepts four coins. Electronic accepters can be converted at a cost of $150 each. As pay phones wear out (in 5 to 10 years, depending on location), they could be replaced by ones that accept dollar coins at fairly little cost.

Installing a slide to accept dollar coins on laundry machines would cost between $25 and $30 for the slide and between $2 and $5 for labor. We estimate that there are at least 2.5 million laundry machines in service. Assuming that about half of them are retrofitted and the other half are replaced, as they wear out, by a machine that accepts the dollar coin, there is a one time conversion cost of approximately $39 millions.

While most daily newspapers are currently priced well below one dollar (for example, the daily New York Times is $.50, the daily Los Angeles Times is $.35, the Wall Street Journal is $.75, and USA Today is $.50), the prices should be reaching a dollar in ten to fifteen years at the current rates of inflation. In addition, Sunday editions, although far fewer are sold from coin vending machines, cost more than one dollar for many major newspapers. Current newspaper vending machines do not accept a one dollar coin and they either will need to be retrofitted or, as they wear out, be replaced by machines that accept coins. Retrofitting is probably prohibitively expensive given the daily revenue from coin boxes while including a dollar slot in new machines is almost costless.

The main source of short term gains from the use of a one dollar coin in parking meters and laundry machines is from reduced processing and transport costs. First, from mere value considerations, for every dollar coin that replaces a quarter there would be one fourth as many coins to handle. In actual practice, the savings in handling depends on the exact price. For example, a price of $1.50 requires 6 quarters or one dollar coin and two quarters. In terms of weight, $1000 worth of Susan B. Anthonys weighs 17.85 pounds while the same value of quarter weighs 50 pounds. For the same value, the dollar coins require transporting only 35% of the weight of the quarters. One thousand sales at $1.50 each weighs 75 pounds in quarters and 43 pounds in a combination of one dollar coins and quarters. To calculate the savings in processing costs that would be generated by issuing a one dollar coin, one needs to estimate the distribution of prices and the quantity of coins that would be used to obtain that price with only quarters and with a one dollar coin and quarters. This was done by assuming a 5% per year increase in the average price over the next thirty years and assuming a normal distribution of prices (but limited to prices that were exactly divisible by a quarter). We then calculated the number of quarters that would be needed to meet this distribution and the number of dollar coins and quarters that would alternatively meet this price. The average difference in number and weight of the coins required at each price was used to calculate processing and transportation cost savings. The present value of these savings over the next thirty years for laundry machines comes to $2.686 billions (at a discount rate of 2%) or to 1.684 billions (at 5%). The present value of these savings in processing costs for the cities who have installed parking meters and who currently have a one hour cost of one dollar or more are $33.166 millions (at 2%) or 20.794 millions (at 5%). As inflation continues, many more cities will be able to make use of the one dollar coin. The savings from these additional cities is not included in the estimate. Additional savings, which are difficult to estimate, would occur in both of these sectors because the smaller number of coins would mean that the coin boxes would not need to be emptied as frequently.

9. Money handling by banks and money transport services

An April, 1990, report of the American Bankers Association enumerates a number of ways that the introduction of a one dollar coin would increase their operations costs. There are a number of minor costs incurred from the change (the one time cost of retrofitting or purchasing new coin sortors for those using machines made before 1980, for example) but the two main sources of the additional costs that the ABA mentions are transport costs and processing costs.

The increased transportation costs occur simply because the coins weigh more than the bills (approximately 17 pounds per thousand for the coins verses approximately three pounds per thousand for the bills). Money transportation companies (Brinks and Wells Fargo, for example) and the Federal Reserve system for its transportation services normally charge by the trip (the per trip charge depends on whether the bank is on a regular route and how long the trip is) and each trip allows the transportation of up to $500,000 worth of bills or thirty boxes of coins without additional charges. For several sampled companies, there was a charge of $.60 per box beyond the allowed thirty boxes. We estimate that 1000 coins cost $1.27 to ship and (given the weight differential between coins and bills) that 1000 bills cost $.224 to ship. The present value of the additional transportation costs from shipping one dollar coins to the Federal Reserve Banks over the next thirty years totals $333 millions (at 2%) or $211 millions (at 5%)

Processing cost for coins is lower than that for bills. For the Federal Reserve Banks, the average activity cost of processing a coin is only eight percent of that of processing a bill ($.348 per thousand for coins compared to $4.39 per thousand for bills).[7] If the ratio of processing cost are similar for banks, then the gains in processing costs from switching to the dollar coin should be very large for banks. However, while banks and their branches handle much of their cash needs from cash deposits that they process internally, any excess cash goes to the local Federal Reserve Bank and any cash shortage is made up from deliveries from the local Federal Reserve Bank. Federal Reserve Banks charge banks for coin processing (the Cleveland FRB charges $1.55 per box of 1000 coins) but they do not charge them for bill processing. Some banks purchase their coins from the transportation companies. It is reported that Brinks charges $2.10 for a box of 1000 rolled coins.[8] Although the policy varies by bank, these coin charges are often passed through to the retail coin users.

The Federal Reserve Banks are likely to have lower costs in both coin and bill processing than commercial banks. The main reason for this is that the bills arrive at the FRBs already boxed and stacked. The majority of the processing at the FRBs is done by high speed machines. In commercial banks, much more of the money processing is done by hand. Estimates from one major bank are that the initial processing cost of a bundle of 1000 notes is $.90,

[7] Many of the coins processed by the FRB never leave the 1000 coin sack in which they arrive. Some of the processing is done by weight and the coins are never sorted or counted. Counting and sorting all of the coins they receive, which commercial banks must do, would increase the FRB's cost of coin processing.

[8] This is a good estimate of what it would cost the banks to process coins.

the cost of sorting one bundle for tellers is $8.00 (and while not relevant to one dollar bills, it costs an additional $1.50 to prepare the bundle for an ATM machine). A cost of an additional $.60 occurs on bundles shipped to branch banks.

There is no data available on the total amount of cash that banks handle in a given year. Much of the cash comes in and leaves at the tellers window and is never counted. Being very conservative, we estimate the processing savings of switching to coins by using the quantity of one dollar bills that banks send for processing to the Federal Reserve Banks.[9] This is the minimum amount of currency processing that the banks *must* be doing. The present value of the savings in processing costs is $2.65 billions (at 2%) or $1.69 billions (at 5%).

The processing savings from handing coin is quite large. However, the ABA report on the one dollar coin was quite negative. This indicates that the banks believe that they will face increased costs because of the coin. We are at a loss to find those costs. While there are some increased transportation costs, these appear to be heavily outweighed by the savings in processing. However, if the banks are able to shift a large percentage of the processing of one dollar bills to the Federal Reserve Banke, instead of doing it internally, the introduction of a one dollar coin would remove the gains generated by this shift. The Federal Reserve Banke do not charge banks for tha processing of notes but they do charge for the processing of coin. The resistance of the ABA to the introduction of a one dollar coin suggests that the gains they are currently receiving from shifting tha cost

[9] The number used here are the same as we used for the processing cost savings in the section on the Federal Reserve Banke.

of processing bills to the Federal Reserve System are fairly large. However, this also seems unlikely. The rules on currency and coin shipment to and from the FRBs are such that considerable processing is required before the bills go to the Reserve Bank. In addition, FRB regulations prevent banks from sending and receiving good bills in the same week. Banks can send unwrapped coins and get wrapped coins back, but they are charged $.0375 per roll as a wrapping charge and pay shipping charges. They must also send an additional thirty bags of coins to the FRB a week if they wish to avoid an additional charge. In sum, while there are possibilities for a bank to use the FRB to clear out unfit bills from its stock of currency, there does not seem to be very large cost savings available from this activity.

10. Consumers

Part of the savings to consumers is quite simple to calculate. Any gains to the rest of the economy eventually gets passed on to consumers as reduced costs (from the vending industry, for example), reduced taxes (from government savings), or as increased value of assets (from increased profits caused by the savings). The sum of all of the gains mentioned earlier go to consumers eventually. Since the savings or costs from the other sectors are already counted there, we cannot count them again as accruing to consumers. Doing so would double count them.

Other gains and costs to consumers are more difficult to measure. The University of Michigan 1979 report on the acceptance of a one dollar coin reported that men were quite negative about the coin. Mainly, they preferred carrying a bill rather than the heavier coin. The survey reported that men tended to dump the coins from their pockets in the evening. Their survey of women was much less negative. That survey indicated that women tend to carry much more coin than do men and that tha smaller one dollar coin was preferred to four quarters.

The poor and individuals without access to credit will benefit from a one dollar coin. Pay telephones, coin laundry machines, and public transportation are examples of some of the industries that are particularly useful to these individuals. The absence of a larger denomination coin makes the use of pay phones and laundry machines more difficult for them to use. In some major cities, those who purchase transportation tokens in larger quantities receive discounts. These discounts force those who cannot afford to buy larger quantities to pay higher prices for the transport services. A larger denomination coin could permit the reduction of the cost of the service to these poor.

The visually impaired would gain from the switch to a one dollar coin. If sufficiently distinctive so as not to be confused with the quarter, it would be easy to idsntify. Visually impaired merchants have difficulties in idsntifying notes and face a greater danger of being offered and accepting crude counterfeits than do other merchants. A one dollar coin reduces these riske.

That a one dollar coin could have some kind of psychological effect to generate additional inflation seems farfetched. The need for a dellar coin is a reflection of the inflation that has already occurred and it is a continuing inflation which will make that need greater. If there were something special about a price of one dollar, such that sellers would round their prices to this amount, this rounding would already be occurring in vending machines that have bill validators. The distribution of prices in these machines does not suggest that prices are commonly rounded up to one dollar.

11. Total private savings

The calculation of the present value of total private savings can be seen in Table 3. Using a real discount rate of 2%, the savings over thirty years has a present value of $14.2065 billions. Using a real discount rate of 5%, the present value of savings over thirty years is $8.8639 billions. These present values are equivalent to a constant annual savings of $621.9 millions (using the 2% estimate) or $549.15 millions (using the 5% estimate).

Table 3

Source	Present value of savings (in millions) at 2% discount rate	at 5% discount rate
Transit		
Processing costs	$ 2497	$ 1505
Delay in converting fare boxes	$ 832	$ 502
Vending machines		
Processing and transport	$ 4785	$ 2796
Validator delay	$ 783	$ 693
Amusement machines	$ 273.3	$ 184.1
Laundry machines	$ 2686	$ 1684
Parking meters	$ 33.2	$ 20.8
Banks		
Processing costs	$ 2650	$ 1690
Transport costs	$ -333	$ -211
TOTAL	$14206.5	$ 8863.9

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NATIONAL
AUTOMATIC
MERCHANDISING
ASSOCIATION

Serving the Vending / Foodservice management industry

To The House Subcommittee on Consumer Affairs & Coinage of The House Committee on Banking, Finance & Urban Affairs

STATEMENT OF THE NATIONAL AUTOMATIC MERCHANDISING ASSOCIATION

IN SUPPORT OF H.R. 1245 CALLING FOR A NEW CIRCULATING $1 COIN

By

James A. Rost
President

Hearing: **November 6, 1991**

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STATEMENT IN SUPPORT OF A CIRCULATING $1 COIN

N A M A is the national trade association of the merchandise vending and contract foodservice management industry. It is incorporated in the state of Illinois as a non-profit organization, and maintains its principal office at 20 N. Wacker Drive, Chicago, Illinois. NAMA also has offices in Reston, Virginia and Encino, California. Its membership includes approximately 1,300 vending and foodservice management companies, 50 vending machine manufacturers and 500 companies that supply products and services to the industry. NAMA was founded in 1936 to promote the common business interests of the merchandise vending and contract foodservice management industry.

WHY THE VENDING INDUSTRY NEEDS THE DOLLAR COIN

Inflation has made a higher denomination coin an absolute necessity, not only for the merchandise vending industry but for other coin-sensitive businesses and organizations, and for consumers who have historically relied upon the convenience of coins for the purchase of low-priced goods and services. In the early 1960's, *one* coin (a quarter) was enough to purchase a beverage and a snack. Today that same purchase requires four to five quarters - a dramatic loss of consumer convenience, which often means consumers can't make the purchase because they don't have enough pocket change. Additionally, demand has grown for larger sized refreshments, entrees and even full meals in vending machines. As a result, many food items sell for well over $1 today, as do a number of non-food products.

Without a widely circulating $1 coin, vending operators have been, and continue to be, forced to install bill acceptors on many of their machines, resulting in substantial additional equipment investments. For example, if a vending company wishes to purchase a vending machine equipped with a coin mechanism that accepts the $1 coin and a bill acceptor, he will pay in the $600 to $700 range for the combination; if a $1 coin were circulating he would not need the $1 bill acceptor and will pay only $235 to $300 for a coin mechanism. Handling and service costs have also risen, while customer service has slowed due to the difficulty of "feeding" paper bills into the acceptors. This problem is growing due to the increasingly poor condition of circulating $1 bills.

Under present circumstances, most machines that give change must return large quantities of quarters when customers insert higher denomination bills. As a consequence, a vending machine can be quickly emptied of quarters and prematurely put out of service while weighing down the customer with quarters. This can be seen if you purchase a $1.00 transit fare card in the Washington, D.C. or San Francisco subway with a $5 bill - you will receive *16 quarters* in change!

For these and other reasons, bill acceptors on vending machines are not the solution to the absence of *realistically valued U.S. coinage.* A widely circulating $1 coin would virtually eliminate these costly additional equipment investments and handling costs, shorten transaction times and restore consumer convenience.

VENDING MACHINES ARE READY FOR THE NEW COIN

Beginning in the late 1970's, in anticipation of the release and eventual circulation of the Anthony $1 coin, the vending industry began manufacturing and installing coin mechanisms capable of accepting the Anthony coin. As new vending machines were purchased, most included the Anthony coin capability in the belief that a widely circulating $1 coin must eventually become a reality.

Encouraged further by the proposed legislation calling for a new coin and the phase-out of the $1 bill, vending companies continued to acquire and place into service vending equipment capable of handling the Anthony dollar, anticipating that the new coin would work in existing Anthony coin mechanisms. The vast majority of coin mechanisms sold to the vending industry for the past 5 to 6 years are models that are designed and tuned to take the present $1 coin. Our industry's cumulative investment for this capability since the late 1970's is enormous, since most machines on location today were purchased since that date.

Accordingly, it is critical to our industry that the proposed new coin has the same technical operating specifications as the Anthony dollar.

SIZE OF THE VENDING INDUSTRY

Approximately 4,500,000 vending machines are on location throughout the 50 states, providing a convenient 24-hour point-of-sale, commonly where no other service can feasibly be made available. Of these, nearly 3 million are capable of accepting the Anthony $1 coin. Industry sales of food and refreshments alone are estimated to exceed $22 billion. Non-food sales are estimated to approximate another $4 billion.

The merchandise vending industry is essentially part of the small-business community. Of the firms that provide vending services, the majority have 5 or fewer employees. These small enterprises, together with the national and regional vending companies, employ a total workforce well in excess of 100,000. In addition, almost 9,000 U. S. workers are employed in the manufacture of vending machines. Hundreds of other companies sell goods and services to the vending industry, adding thousands more to the number of people whose families depend on the economic health of the vending industry.

CONCLUSION

In summary, the vending industry is heavily dependent upon widely circulating coins with values that relate realistically to today's prices of relatively low cost products and services. The industry has been preparing for the $1 coin for more than a decade. Paper bill handling has been a costly stopgap measure and offers no solution to the problems caused by *grossly under-valued circulating U.S. coins.*

America is the only major country that does not have a *circulating* coin with a value above the cost of a drink, snack, or candy bar. Germany, England, France, Japan, Canada, Australia and many other countries have made coin and currency corrections to reflect the reality of decades of inflation. They have created coins that are far more appropriately valued for vending and other cash handling businesses. In each case they have *eliminated the paper bill* of equivalent value. A widely circulating $1 coin, combined with the essential phase-out of the $1 bill, will give the United States a much more efficient monetary system. It will provide far greater convenience and significant savings for consumers and small businesses across the country.

We support the proposed recognition of America's veterans on the obverse of the coin. It will appeal to millions of veterans as well as citizens in general throughout the land as an appropriate acknowledgement of America's success in maintaining liberty for all of its people.

Testimony of

Olin Brass Corporation

Division of Olin Corporation

East Alton, Illinois

House Subcommittee on Consumer Affairs & Coinage

One Dollar Coin Act of 1991, H.R. 1245

November 6, 1991

Thank you, Mr. Chairman and members of the Committee for the opportunity to submit testimony on H.R. 1245 for the record.

We at Olin Brass fully endorse and support the creation of a new one dollar coin because it makes sense. For several years we have endorsed the efforts of the Coin Coalition, a group representing a large cross section of American industry that strongly supports a new dollar coin. In these fiscally tough times, a new one dollar coin will save the American taxpayers upwards of $864-million dollars annually and an additional $124 million annually to our transit systems. That's real savings. We know you will give a new dollar coin due consideration, but our testimony will address areas of technological concern that may, in some people's minds, be a barrier to production of a dollar coin.

The three important areas our statement addresses are: counterfeiting, cost and supply.

Our researchers have concluded that a clad metal system, such as that presently used in the current U.S. dime, quarter and half dollar, offers the best potential for security, raw material conservation and ease of coin recognition.

Counterfeiting

The United States enjoys a virtually counterfeit free coin environment, in part due to the unique clad design of our dime, quarter and half dollar. In our increasingly mechanized world, the use of slugs in everything from vending machines to parking meters would cost U.S. businesses and municipalities millions. There are a number of foreign monolithic metal coins that have the same size and shape as the proposed new U.S. dollar coin (see attached), especially in Canada and Mexico. The Canadian Loon and the 100 peso Mexican coin are worth just 89 cents and 3 cents respectively in comparison to the dollar. Common slugging of these coins, especially along the states bordering Canada and Mexico, could be costly to American business.

In anticipation of these concerns and considering that most U.S. coins are clad, Olin Brass conducted extensive research into the development of a new clad dollar. Olin manufactured a prototype clad coin and ran extensive tests on the kinds of electronic characteristics that are used in vending machines to discriminate between valid coins and foreign coins or slugs.

Our findings confirmed that, in the interest of anticounterfieting, durability, tarnish resistance, color, ease of fabrication and cost, the copper alloyed clad system now in use would be superior to a monolithic coin derived of aluminum, zinc, steel, copper or nickel or their alloys.

Cost

It is true that production of the current clad coin is more expensive because of the process of sandwiching the copper between two cupro (copper) nickel covers, but the overall cost of an equivalent solid cupro nickel coin would cost the same or more depending on the price of raw nickel. In recognition of these facts, the U.S. Congress made the right decision when it authorized clad coins in 1965. The decision has saved the Mint millions in manufacturing and greatly reduced the possibility of counterfeiting. When moving to the introduction of a new dollar coin, it only makes sense to continue with a proven system.

Coin Discrimination

One of the complaints about the Susan B. Anthony coin was it "locks like a quarter." We addressed this problem and are recommending two distinguishing elements -- the feel and the visual appearance of the new one dollar coin. We have given the new coin a gold color and smooth edges. This will help consumers and the visually handicapped quickly distinguish the dollar coin in an handful of change whether in the pocket or on the counter. A copper alloy is the only alloy that will provide such color, except for gold iteelf. Gold, for numerous reasons (not the least of which cost) is not an option. The plated Canadian Loon requires a copper alloy for its golden color but, as I previously testified, the unique electronic signature of the clad U.S. dollar would prevent monolithic Loons from being used in our vending and transit machines.

Mr. Chairman, we have available at the sub-committee office a number of prototype one dollar coins for the committee members to experiment with. We would like you to carry this coin around with you. We think you will find it is easy to spot a clad dollar whether in the pocket or in the palm of your hand, and it will weigh a lot less than four quarters. We suggest these prototypes be given to each subcommittee member.

Supply

As the major supplier to the Mint of clad coin material, we have competed fairly and openly since 1965. The result for the U.S. government has been a steady and successful counterfeit-free coin supply to the American people.

The Government Accounting Office was recently asked to investigate the supply of material to the Mint (GAO GGD-91-78BR) and the question of single source of supply for clad coinage. That source was Olin Brass. The GAO made two basic conclusions: one, the Mint could procure clad material from other sources albeit at higher prices; and two, the most cost-effective method of procuring materials for stamping is through a quarterly bid method presently used by the Mint. The GAO found the system "defensible and preferable to other alternatives available to the Mint." In general, the GAO found the Mint's procurement system and Olin's position as a main source of clad materials both protected the taxpayer and the security of production.

Mr. Chairman, we'd like to also address the committee's concerns about the mint's ability to secure adequate clad material for a dollar coin within the time frame outlined in the proposed legislation. Olin has redundant clad production capability that not only satisfies the present demand for clad material--and the Mint's concern regarding security--but we can also activate significant additional capacity to meet surge demand in a short period of time.

Mr. Chairman, Olin holds no patents, now or in the past, that preclude involvement by other companies. We believe Olin's successful position is due to economy of process and the research and development money Olin has invested in our metal research laboratory.

In summary, Mr. Chairman, based on our extensive research and experience in supplying material to the U.S. Mint and other mints around the world, we believe that a clad metal dollar could be produced and would have characteristics for ease of consumer recognition while deterring counterfeiting or slugging. We agree with the GAO that the U.S. supply of material to the Mint is secure and cost effective.

Finally, Mr. Chairman, Olin is prepared to work with this committee or the Mint in providing metallurgical studies, design consultation or any additional information that would promote a new dollar coin. We invite this committee to freely contact P.F. (Fred) Inman, Marketing Manager, Coinage, at Olin Brass (618/258-2683) for this purpose. Our goals are the same, to give Americans a coin that would be convenient, and save taxpayers and industry hundreds of millions of dollars not just now but for years to come.

Thank you, Mr. Chairman.

October 29, 1991

SOLID COINS
Similar in Size to U.S. $

Country	Coin/Denomination	Value in U.S. $	
Austria	10 schilling	.83	cupro nickel
Canada*	1 dollar	.89	nickel
Chile	100 peso	.29	aluminum bronze
Colombia	50 peso	.08	nickel silver
Ecuador	1 sucre	.001	nickel clad
Egypt	20 piaster	NA	cupro nickel
El Salvador	10 cent	NA	nickel silver
Finland	5 markaa	1.20	aluminum bronze
France	10 franc	1.71	aluminum bronze
Germany	2 DM	1.16	cupro nickel clad nickel
Greece	10 drachma	.05	cupro nickel
Guatemala	25 centavo	NA	nickel silver
Haiti	20 centime	NA	nickel silver
Hong Kong	5 dollar	.64	cupro nickel
Hungary	20 forint	NA	cupro nickel
Indian	1 rupee	.04	cupro nickel
Ireland	2 penny	.03	bronze
Israel	10 shegalim	NA	cupro nickel
Mexico*	100 peso	.03	aluminum bronze
Spain	25 peseta	.23	cupro nickel
Switzerland	2 franc	1.32	cupro nickel
Turkey	25 lira	.005	nickel silver
U.K.	2 pence	.035	bronze
Yugoslavia	50 dinar	NA	nickel silver

*Please note - both Canada and Mexico have solid coins that are the same diameter as the U.S. dollar coin. Distinction is maintained by the use of clad material.

TESTIMONY OF RICHARD L. CHURCHILL

BEFORE THE CONSUMER AFFAIRS AND COINAGE SUBCOMMITTEE

OF THE HOUSE COMMITTEE ON

BANKING, FINANCE AND URBAN AFFAIRS

NOVEMBER 6, 1991

I am Richard L. Churchill, Program Manager, Coinage Materials for Texas Instruments Incorporated. I appreciate the opportunity to submit this statement for inclusion in the record of the Consumer Affairs and Coinage Subcommittee's November 6, 1991 hearing on H.R. 1245, a proposal for the creation of a dollar coin.

When most people hear the name Texas Instruments they think of calculators or educational products, such as Speak & Spell. They are surprised, therefore, to learn that we operate one of the nation's oldest, largest and most efficient metal bonding facilities and that, as a metal bonder, we were instrumental in developing the metal composite chosen in 1965 by the U.S. government for use in coins above five cents in value. People are further surprised to learn that from 1965 to 1968, Texas Instruments supplied over 50 million pounds of clad metal strip to the U.S. Mint for use in making the U.S. dimes, quarters and half dollars still circulating today. I should mention, however, that we are not currently a supplier to the U.S. Mint. I will discuss the reasons for this later in my testimony.

As TI's Coinage Manager for the past 24 years, I have handled clad strip sales to the U.S. Mint and coinage strip and blank sales to foreign governments. In general, I favor Congressman Kolbe's proposal to replace the dollar bill with a dollar coin, because the existing U.S. currency system is outdated and needlessly costly to the taxpayer. While other countries have adjusted their coinage systems to fit society's changing needs, the United States in effect has reduced its scope of circulating coins. A dollar coin makes sense because inflation has reduced the purchasing power of U.S. coins, making existing denominations too low for many consumer needs, particularly in automatic vending machines. It also makes sense because coins can last many times longer than paper and thus cost the taxpayer less to maintain over the long-term.

While Texas Instruments is supportive of the goals of H.R. 1245 because we believe it has the potential to save money, we have one major concern. Why, we ask, if the goal of the legislation is to save the taxpayers money, do we permit a procurement situation to exist that for the past 20 years has caused the United States Mint to rely on a single source for clad materials?

With few exceptions, since 1968 the Mint has procured clad strip for coinage through a lowest-priced, winner-take-all system of sealed bids, integrating all services from input cathodes and scrap through cladding. The use of a sealed bid approach for 100 percent of a requirement enhances competitiveness when the commodity being procured is only a portion of the total demand for that product in a large commercial market. In the case of a restricted volume, special design product, such as cupronickel clad copper strip, in a limited unique market the sealed bid approach actually eliminates competition long-term.

This means that while the winner-take-all approach may sound like a good deal for the taxpayer, in practice it has produced only one continuing bidder and clad prices thet during the 1980s outpaced both the consumer price index and the metal price indices. Further, this approach has driven out of the marketplace multiple non-integrated suppliers, some of whom were very efficient in their particular niches.

The use of a sealed bid, winner-take-all, integrated contract approach for the product has been a barrier to entry to potential suppliers, who must ask themselves if it is logical to make large capital investments when:

- 0 The size of the market is limited and well within the capacity of the current supplier.

- 0 There is no opportunity to increase capacity gradually, while reducing the cost of operations.

- 0 The Mint's usual supplier is strong enough to reduce prices until the new-comer leaves the market and then raise them again.

- 0 Even with two integrated suppliers in the market, under the current procurement system, fierce price competition would likely continue until one or even both suppliers withdrew from the market.

We recognize that the U.S. government does not want to pay more than necessary for clad materials. That is why the Mint is currently looking for ways to change its procurement procedures to encourage competition. As part of this process, we understand that the Mint is reviewing the existing system of quarterly bids. At Texas Instruments we are encouraged by the Mint's efforts.

Still, we cannot stress enough that without competition in this process, the U.S. taxpayer is certain to pay more than he has to for clad materials. With typical clad purchases of 30 to 40 million pounds involving over $30 million a year, we are not talking about small sums. Texas Instruments believes the creation of a dollar coin will save the taxpayer money, even under the current procurement methods. However, we think it does not make sense to pass legislation aimed at saving taxpayer money while permitting the continuation of a procurement method that stifles competition. Should Congress proceed with H.R. 1245, we urge strongly that a provision be added directing the Mint to institute procurement practices for clad that encourage the emergence of a competitive second source.

Mr. Chairman and Members of the Subcommittee, on behalf of Texas Instruments Incorporated, I would like to thank you for giving us the opportunity to submit our views to you concerning this legislation.

American Numismatic
ASSOCIATION

818 North Cascade Avenue
Colorado Springs, CO 80903-3279
719/632-2646
FAX 719/634-4085

November 8, 1991

Mr. Roddy Young
House Subcommittee on Coinage
Room 604, O'Neill House Office Building
Washington, D.C. 20515

Dear Roddy:

I -- and the ANA -- very much appreciated being able to testify on HR 2636 and HR 1245, two bills to modernize U.S. circulating coin design and to authorize a new small size dollar coin respectively.

On Thursday, November 7, I had a slightly more than two hour meeting at the Postal Service with the Director of Stamp and Philatelic Marketing to discuss some mutual issues. Don McDowell, the Director, and I go back a long time. Don asked about the hearing and offered some of the U.S.P.S. concerns -- an area for which he is responsible. Let me share them with you.

The U.S. Postal Service is the largest retail establishment in the world. They have 40,000 stores and 40,000 vending machines, or 80,000 retail outlets. At the end of each day the clerks have to shut their windows and spend 1/2 hour counting money, predominantly one dollar bills. The average salary including benefits is $30.00 per clerk per hour. If the U.S.P.S. could reduce money counting time by 15 minutes, that is 15 minutes additional time they could provide to customer services.

21% of U.S.P.S. costs are for counting money. Coin counting is cheap and equipment is readily available. Currency counting is difficult due to the similarity of U.S. banknotes. Counting machines cost about $20,000. If the U.S. could eliminate the $1.00 banknotes and substitute a $1.00 coin, the U.S.P.S. would be immensely happy. However, they would like a small, distinctive and light weight coin.

Please use this information as you wish. It could be made part of my testimony if the chairman would agree.

Sincerely yours,

Bob

Robert J. Leuver
Executive Director

RJL:lmd

cc: cf/rf/file

UNITED STATES POSTAL SERVICE
475 L'ENFANT PLAZA SW
WASHINGTON DC 20260-1100

LAW DEPARTMENT

October 15, 1991

Honorable Esteban E. Torres
Chairman
Subcommittee on Consumer Affairs
and Coinage
Committee on Banking, Finance
and Urban Affairs
House of Representatives
Washington, D.C. 20515-6055

Dear Congressman Torres:

This responds to your request for the views of the Postal Service on H.R. 1245, the "One Dollar Coin Act of 1991."

While this proposal could present some benefits for the Postal Service vending program, we have some concerns about the costs it would create and about its effect on Postal Service retail clerk operations.

The proposed one dollar coin, for example, would present significant logistical problems for the up to 100,000 postal cash drawers in use nationwide. The coins would be heavier and bulkier than dollar bills, they would not be easy to stack, and they could not configure themselves to the drawer in the same way as a dollar bill. The practical problems of dealing with these coins might involve redesigning and replacing the cash drawers, at a substantial cost.

Depending upon the size of the dollar coin, we are also concerned that users could confuse it with other coins, especially the quarter. Changing the shape of the dollar coin might not successfully alleviate this confusion. With the addition of another coin to the cash drawer, it would be more likely that accidents would occur in making change for postal customers. This would create customer relations problems, and place an added burden on postal clerks, who are responsible for the money in their cash drawers. Lack of customer acceptance, moreover, could present a more intractable problem for the dollar coin. Postal customers might be annoyed by receiving the bulkier coins as change for larger bills.

Because the coins would be bulkier than dollar bills, they would take up more space and more quickly fill up a cash drawer. Clerks therefore would have to turn in their money drawers more frequently. Each time the drawer became full, the clerk would be required to stop attending to customers, count the money, and turn it over to a manager to verify the count. Each additional drawer count would result in a loss of time at the window serving customers, resulting in some loss of productivity.

On a more positive note, the coin could present some benefits for self-service postal vending operations, which assist us to improve and expand our retail program throughout the country. To maintain customer confidence in our vending machines, it is important to prevent loss of money in vending transactions. Our customers, in addition, do not like to be forced to purchase stamps in excess of their needs, if their only bill is a ten or twenty. In our current vending equipment, a customer who uses a $20 bill would normally have to purchase $17 worth of stamps before reaching the maximum amount of change the machine can give. The use of dollar coins to make change exceeding $1.00 might help resolve the problems associated with large bill transactions. Dollar coins would also allow customers to receive all their money back if they cancel the transaction. Consequently, the one dollar coin could be of assistance in the vending program. In recognition of this possibility, the postal vending equipment currently under contract for delivery in 1992, and all future equipment, will have dollar coin payback capability. We should note, however, that most postal customers do not use vending machines, but conduct business at the window.

Accordingly, the proposed legislation appears to present both potential benefits and drawbacks. We would be happy to discuss these points or any other issues with you at your convenience.

Sincerely,

Leva L. Watson

for Stanley F. Mires
Assistant General Counsel
Legislative Division

GENERAL MANAGER'S REPORT 10-24-91

Washington Metropolitan Area Transit Authority

600 Fifth Street, N.W., Washington, D.C. 20001
(202) 962-1234

October 24, 1991

MEMORANDUM TO: Chairman and Members of the Board

SUBJECT: WMATA Endorsement of One Dollar Coin

Legislation is being introduced in Congress to encourage the introduction of a $1 coin, which would entirely replace all $1 bills. In addition, this legislation would also encourage greater utilization of the $2 bill. It is estimated that the Federal government would save $318 million annually if a coin replaced a dollar bill because coins last approximately 30 years while dollar bills, on average, only last 17 months. A coin would cost 6 cents to make and a dollar bill costs approximately 3 cents.

The introduction of a dollar coin and elimination of the dollar bill would be particularly valuable to WMATA. It is estimated that $200,000 in one-time costs would be required to adjust AFC equipment to accept the dollar coin and the two dollar bill. The dollar coin recommended for minting is the same size as the current Susan B. Anthony coin, and as such, would already be "readable" by our Registering Fareboxes. Annual savings to WMATA for substituting a $1 coin for a $1 bill would be in excess of $450,000 because of the labor intensiveness of processing $1 bills, particularly from Metrobus. Currently, Metrobus and Metrorail generate over 125 million $1 bills annually.

The American Public Transit Association (APTA) has endorsed this legislation as have several major transit properties. I recommend that WMATA also endorse the $1 coin. Attached for your consideration is a resolution to support the legislation.

Hearings on this legislation are scheduled to begin on November 6, 1991.

David L. Gunn

David L. Gunn
General Manager

Attachment

A PUBLIC TRANSPORTATION PARTNERSHIP OF THE DISTRICT OF COLUMBIA, MARYLAND AND VIRGINIA
1833F

SUBJECT: WMATA ENDORSEMENT OF ONE DOLLAR COIN

PROPOSED RESOLUTION
OF THE
BOARD OF DIRECTORS
OF THE
WASHINGTON METROPOLITAN AREA TRANSIT AUTHORITY

WHEREAS, the Washington Metropolitan Area Transit Authority receives 4 million $1 bills per month in the bus fareboxes and 6.5 million $1 bills per month in the rail fare collection equipment; and

WHEREAS, the Washington Metropolitan Area Transit Authority recognizes the benefit that a $1 coin would bring in terms of revenue processing and maintenance cost savings, reduced exposure to counterfeit bills, faster bus boarding and greater convenience for transit customers; and

WHEREAS, the American Public Transit Association has officially endorsed legislation to authorize the $1 coin; and

WHEREAS, H.R. 1245, the One Dollar Coin Act of 1991 has been introduced; and

WHEREAS, H.R. 1245 provides for introduction of the $1 coin 18 months after enactment of the legislation and provides for a prohibition of new $1 bills six months after the $1 coin is placed into circulation;

NOW, THEREFORE, BE IT RESOLVED that the Washington Metropolitan Area Transit Authority supports the adoption of H.R. 1245, the One Dollar Coin Act of 1991.

BE IT FURTHER RESOLVED, that the General Manager is directed to forward copies of this resolution to the Secretary of the Treasury, Members of the Congress representing the Washington metropolitan area region, and congressional committees having jurisdiction over the proposed legislation.

Reviewed as to form and legal sufficiency

General Counsel

Resolution was approved on 10/24/91.
Resolution number will be 91-46.

NEW YORK STATE AUTOMATIC VENDING ASSOCIATION

October 29,1991

Honorable Esteban Torres
Chairman, Coin Subcommittee
1740 Longworth House Office Building
Washington,D.C. 20515

Dear Mr. Torres:

I am writing to you regarding the Nov. 6th hearings on H.R. 1245, favoring the minting of a new Dollar Coin. I urge you and your colleagues to support this important legislation, and to recommend its passage to the full House of Representatives.

The Board Of Directors of the New York State Automatic Vending Association has endorsed and fully supports H.R. 1245. We believe that the Dollar Coin is the right idea at the right time, for the following reasons:

1. **Savings to the Taxpayer**- Studies estimate annual savings of $318 million per year by switching from a paper dollar to a coin.

2.**Inflation**- Today's dollar is equal to the quarter of not too many years ago. Most western economies have already recognized this reduced purchasing power of today's dollar by re-defining the boundary between coin and paper currency.

3.**Operating Benefits**- Coins are cheaper and easier to count than paper money. Coins also work 99% of the time in automatic machines, as oposed to 85% of the time for paper money, and unlike paper coins cannot be easily counterfeited.

4.**The Right Theme**- There has never been a more appropriate time to honor America's Veteran and the 50 million Americans who have served in the Armed Forces of The United States.

I believe the reasons for a Dollar Coin are compelling, and on behalf of the New York State Automatic Vending Association I urge you to support H.R. 1245.
I would appreciate if you would enter this letter into the record of the hearings on H.R 1245, set for November 6th, 1991.

Very Truly Yours,

Ronald D. Heisey
President, N.Y.S.A.V.A.

Absolute Vending Service

"Designed for you"

600 W. Estes Ave. Schaumburg 708-894

The Honorable Esteban Torres
Chairman, Sub-Committee on Consumer Affairs and Coinage
1740 LHOB
Washington, D.C. 20515-0534

Dear Congressman Torres: October 30, 19

My name is Jim Bollinger, Absolute Vending Service, Schaumburg, IL. I am President of the Illinois Automatic Merchandising Council, the state trade association for the coin-operated merchandise vending industry in the state of Illinois.

My organization after careful deliberation, has agreed to strongly support the enactment of HR 1245 for the following reasons:

a. Inflation has created a dire need for a higher denomination coin. Without a widely circulating $1 coin, vending operators have been forced to install bill acceptors on many of their machines resulting in substantial additional equipment investments. In addition, using $1 bills increases handling and service costs.

b. Vending machines are already ready for the new $1 coin. Most coin mechs are designed to accept the Anthony coin.

c. Paper bill handling has been a costly stopgap measure and offers no solution to the problems caused by obsolete circulating U.S. coinage values.

HR 1245 is nothing more than good legislation for everyone; namely, the government, the business community and the public at-large.

Your strong support of this bill will be appreciated.

Sincerely,

Jim Bollinger

Jim Bollinger
Absolute Vending Service
President, I.A.M.C.

ACCENT SERVICES, INC.
316 N. Main St. • Houston, Texas 77002 • (713) 222-1111
We put the accent on service!

October 29, 1991

The Honorable Estaban Torres
Chairman, Subcommittee on Consumer Affairs and Coinage
1740 Longworth House Office Building
Washington, DC. 20515-0534

Dear Mr. Torres:

I'm writing to you as President of the Texas Merchandise Vending Association. The TMVA is the state trade association representing vending operators in Texas.

We want to express our support for H.R. 1245, the "United States One Dollar Coin Act of 1991." Inflation has created the need for a higher denomination coin. We have been forced to install bill acceptors on many of our machines resulting in substantial equipment investments. In addition using $1 bills increases handling and service costs.

Most vending machines are ready now for a new $1 coin. Most coin mechanisms are designed to accept the Susan B. Anthony coin.

Paper Bill Handling has been only a stopgap measure and offers no solution to our current problems caused by an obsolete system.

The TMVA strongly supports legislation calling for a new $1 coin and the phase-out of the $1 bill to gain circulation of the coin.

Thank you for considering these views, and make these comments part of the hearing record. This is urgent for our industry!

Sincerely,

Jim Knecht
TMVA President

JK/mhe

AMERICAN KIDDIE RIDE ASSOCIATION
3800 Nicollet Avenue South • Minneapolis, Minnesota 55409
In Minnesota (612) 827-5588 • Toll Free (out of state) 1-800-633-3436 • FAX (612) 827-7548

October 30, 1991

The Honorable Esteban Torres
Chairman, Sub-Committee on Consumer Affairs & Coinage
1740 LHOB
Washington, DC 20515-0534

Dear Congressman Torres:

Our national association of operators, distributors, and manufacturers of kiddie rides desperately needs your support on the dollar coin legislation, HR 1245.

Inflationary trends have resulted in the need for a higher coin denomination to be used to operate our kiddie rides. Not only is our pricing structure restricted but substantial costs necessary to change the present coin mechanisms precludes the ability to do so. These limitations threaten the existence of our industry which entertains children.

Our association strongly urges your support. Won't you please vote YES to HR 1245?

Sincerely,

Thomas N. Theisen

Thomas N. Theisen
President

TNT/ajb

cc: Steve Caplan, Vice President/ American Kiddie Ride Association
Stephen Banks, Secretary / " " " "
Gerard Reda, Treasurer / " " " "

ARA
services
BALTIMORE/WASHINGTON INDUSTRIAL PARK
8264 PRESTON COURT / JESSUP, MARYLAND 20794 / 301-[illegible] / 1-800-[illegible]-4ARA

October 30, 1991

The Honorable Esteban Torres
Chairman House Sub-Committee on Coinage
604 O'Neill House Office Building
Washington, DC 20515

Dear Mr. Torres:

On behalf of the Maryland D.C. Vending Association, I am urgin and the other House members to take a positive and active ro: enacting H.R. 1245. Our industry, as well as the nation, greatly benefit from this bill:

1. Mechanisms accepting both dollar bills and coins are twi expensive as mechanisms that accept only coins.

2. Coins are much faster to count than paper money.

3. The cost savings to the government in these most diff: recessionary times cannot nor should not be ignored.

I know I speak for the 2600 people who our members employ, wh say a positive vote for H.R. 1245 is a positive vote for nation. (Please enter this letter in the record of the hearir

Sincerely,

Les Shickman

Les Shickman
President
MD/D.C. Vending Association

ARA services
32 WOOD ROAD / BRAINTREE, MASSACHUSETTS 02184 / 617-843-6000

October 30, 1991

The Honorable Esteban Torres
Chairman, House Subcommittee
Consumer Affairs and Coinage
1740 Longworth House Office Building
Washington, District of Columbia 20515-0514

RE: HR 1245 - THE NEW DOLLAR COIN
MASSACHUSETTS' VENDING INDUSTRY SUPPORTS THIS LEGISLATION

Dear Chairman Torres:

I am writing to you today of behalf of the members of the Massachusetts Automatic Merchandising Council (MAMC) to register our support for HR 1245. As the current President of MAMC, a non-profit trade association for Massachusetts' state-wide vending industry, I have clearly seen the need for the new dollar coin. It is a most practical and necessary improvement. However, the new dollar coin cannot succeed without phase-out of the antiquated dollar bill.

Reasons for favorable consideration are numerous:

Inflation has outpaced the utility of a dollar bill necessitating a coin to take its place as more effective and versatile.

Currently, vendors must pay considerable added costs for bill acceptors on most of their equipment which is an unnecessary cost once the coin becomes available.

Using dollar bills significantly increases our servicing and handling costs.

The dollar bill itself is far more costly compared to the long lifespan of the coin.

We are truly in a new generation of coin machines - a coin responds to this era - the dollar bill is obsolete.

As an industry, vending is ready for the coin and our equipment is designed to accept the dollar coin.

October 30, 1991
Page 2

Please add the NAMC's support to the growing list of those the new dollar coin. Its time has come. I trust that you our support a part of the formal hearing record at your Sul hearing next Wednesday.

Thank you for your consideration of this most favorable issue.

Sincerely,

Joseph J. Deneen
President

JJD:mm

cc NAMC Executive Committee

Automatic Food Service Inc.

844 MAINSTREAM DR. • METRO CENTER • NASHVILLE, TN. 37228 • (615) 255-8502

October 31, 1991

The Honorable Esteban Torres
Chairman, Sub-Committee on Consumer Affairs and Coinage
1740 LHOB
Washington, D.C. 20515-0534

Dear Congressman Torres:

My name is Kenneth E. Farler, and I am President of Tennessee Automatic Merchandising Association which is the organization that represents coin operated food and beverage vendors in the State of Tennessee.

Speaking for our association, and after a unanimous vote, we support the enactment of HR 1245, the creation of a new gold colored dollar coin and the elimination of the dollar bill.

It has just come to my attention that the witness in opposition to HR 1245, Philip Greenhut, does not speak for the vending industry but for a very small group in New Jersey. It appears that Mr. Greenhut is on a personal crusade with little or no support from the real industry backers.

We are the only industrialized nation in the world that does not have the equalivant of a dollar coin. Because of this the vending industry has been forced to install bill acceptors which has greatly increased the cost of our equipment. We as an industry are ready for this coin because most coin handling equipment made since 1979 would accept the Anthony dollar.

The dollar bill acceptor has been a big boost to us but came out of necessity due to our antiquated coinage system but at the same time has been costly to our industry in handling the paper dollar.

Full Line Food Vending

In closing I would like to quote from a recently released study by the University of Chicago conducted by faculty member, George T. McCandless, Jr., in which he states that the vending industry in the United States would realize a savings of approximately $160,000,000. a year if indeed a circulating dollar coin were in place.

With all of these positive effects I see no reason why anyone would not support HR 1245.

Please give us your support.

Sincerely,

Kenneth E. Farler

Kenneth E. Farler
President
Tennessee Automatic Merchandising Association

FOOD AND VENDING SERVICE DIVISION OF CANTEEN CORPORATION
723 YUMA STREET • DENVER, COLORADO 80223 • PHONE: (303) 722-3861

October 30, 1991

The Honorable Esteban Torres
Chairman, Sub-Committee on Consumer Affairs and Coinage
1740 LHOB
Washington, D.C. 20515-0534

Dear Congressman Torres:

My name is Joe Mayer of Canteen Corporation. I am President of the Colorado Automatic Merchandising Association, the state trade association for the coin-operated merchandise vending industry in the state of Colorado.

My organization, after careful deliberation, has agreed to strongly support the enactment of HR 1245 for the following reasons:

a. Inflation has created a dire need for a higher denomination coin. Without a widely circulating $1 coin, vending operators have been forced to install bill acceptors on many of their machines resulting in substantial additional equipment investments. In addition, using $1 bills increases handling and service costs.

b. Vending machines are already ready for the new $1 coin. Most coin mechs are designed to accept the Anthony coin.

c. Paper bill handling has been a costly stopgap measure and offers no solution to the problems caused by obsolete circulating U.S. coinage values.

HR 1245 is nothing more than good legislation for everyone; namely, the government, the business community and the public at-large.

Your strong support of this bill will be appreciated.

Sincerely,

Joe Mayer

Joe Mayer
Canteen Corporation
President, Colorado Automatic Merchandising Association

CONTI VENDING SERVICE, INC.

Office
52 Wildwood Avenue
Upper Montclair, NJ 07043
201-744-5075

Warehouse
23 Robert Street
Nutley, NJ 07110
201-235-0730

Fax # 201-235-0550

October 31, 1991

Honorable Estêban Torres
Washington, D.C.

Dear Congressman Torres:

I am writing this letter not as the President of the Automatic Merchandising Council of New Jersey but as a "Small Business Man". I employ five people including my wife and myself. I would like to express to you that I feel the new Dollar Coin would be a great Boon to the Vending Industry as well as saving the taxpayers millions in cost savings each year but only if we eliminate the dollar bill. Ours is a "Coin Business" and coins are much easier for the consumer to use than the already over stressed dollar bill. At the present time our Dollar Bill Acceptors load up very quickly with dollar bills since there is no higher coin denomination that the quarter--inflation having eroded away the value of our Coin System; thus making quarters the most heavily used coin.

A survey done recently in New Jersey by another company (vending) shows that on those machines capable of accepting dollar bills sixty one percent of all monies collected was in dollar bills. Contrary to the intent of the survey (to save the dollar bill) I conclude as a progressive minded businessman that the dollar bill is already over used and stressed to the limit. If we have another round of inflation as we did in the seventies (20%) we in the Vending Business will have to make extra trips to our machines just to empty the dollar bills with no need to add product. This only adds to the cost of doing business. This is a very low net and high labor intensive industry. Coins do work more reliably than bills in the machines and would therefore speed up making change for higher denomination notes (two and five dollar bills) as well as being easier and faster in the counting room.

I also feel that the general public would accept the new coin with a gold finish much easier than the old plain Susan B. Anthony coin if we had no other paper note of like value.

Thank you for considering my input in this very important matter.

Very truly yours,

John C. Conti

Frito-Lay, Inc.

Direct Sales
703 Broadway, Suite # 806
Vancouver, WA 98660

October 30, 1991

The Honorable Esteban Torres
Chairman, House Subcommittee,
Consumer Affairs and Coinage
1740 Longworth House Office Building
Washington, D.C. 20515-0634

RE: HR 1245 - THE NEW DOLLAR COIN
NORTHWEST INDUSTRY SUPPORTS THIS LEGISLATION

Dear Chairman Torres:

On behalf of the members of Northwest Automatic Vending Association ("NAVA"), we support HR 1245, the new dollar coin legislation. As President of NAVA, a non-profit trade association for the vending industry in the states of Washington, Oregon and Alaska, I can tell you that our vending industry is in need of a new dollar coin.

The necessity for a higher denominated coin has been created by inflation. Without a widely circulating dollar coin, vending operators have been forced to install bill acceptors on many of their machines resulting in substantial additional equipment investments.

Additionally, using dollar bills increases service costs. Paper bill handling has been an expensive stopgap measure and offers no solution to the problems caused by obsolete circulating U. S. coinage values.

The vending industry is ready for the new dollar coin and phase-out of the dollar bill. NAVA favorably supports HR 1245 and kindly requests that our position be included in the Hearing record at your Subcommittee Hearing on HR 1245 next Wednesday.

Thank you for your serious consideration of this critical industry issue.

Very truly yours,

Andy Ponciano

Andy Ponciano
Area Manager, Vend/Foodservice

cc: NAVA Executive Committee

GENERAL VENDING SERVICE CO.

222 W. INDUSTRIAL LAKE DRIVE • 475-7615
LINCOLN, NEBRASKA 68528

October 30, 1991

The Honorable Esteban Torres
Chairman, Sub-Committee on Consumer Affairs and Coinage
1740 LHOB
Washington, D.C. 20515-0534

Dear Congressman Torres:

I wanted to write and introduce myself to you. My name is Thomas R. Ruud. I am an owner of a vending company in Lincoln, Nebraska. The name of my business is Apex Management, Inc.. I am also President of the Nebraska Automatic Merchandising Council. This is the state trade association for the coin-operated merchandise vending industry in the state of Nebraska.

My organization, after careful deliberation, has agreed to strongly support the enactment of HR 1245 for the following reasons:

a. Inflation has created a dire need for a higher denomination coin. Without a widely circulating $1 coin, vending operators have been forced to install bill acceptors on many of their machines resulting in substantial additional equipment investments. In addition, using $1 bills increases handling and service costs.

b. Vending machines are already ready for the new $1 coin. Most coin mechs are designed to accept the Anthony coin.

c. Paper bill handling has been a costly stopgap measure and offers no solution to the problems caused by obsolete circulating U.S. coinage values.

HR 1245 is nothing more than good legislation for everyone; namely, the government, the business community and the public at-large.

Your strong support of this bill will be appreciated.

Sincerely,

Thomas R. Ruud
President

DIVISION OF APEX MANAGEMENT, INC.

Hawaiian Isles Vending
Full Line Vending & Amusement Game Services

2864 Mokumoa Street
Honolulu, Hawaii 96819
(808) 833-2244

November 1, 1991

The Honorable Esteban Torres
Chairman, House Subcommittee,
Consumer Affairs and Coinage
1740 Longworth House Office Building
Washington, D.C. 20515-0534

RE: HR 1245 - THE NEW DOLLAR COIN
HAWAII VENDING INDUSTRY SUPPORTS THIS LEGISLATION

Dear Chairman Torres:

This letter is sent on behalf of the members of Hawaii Automatic Vendors Council ("HAVC") to register our support of HR 1245. As President of HAVC, a non-profit trade association for the Hawaiian vending industry, I see the need for a new dollar coin on a practical, everyday basis. However, the new dollar coin will only circulate if the dollar bill is phased-out.

Inflation has created a strong need for a higher denomination coin. Without a widely circulating dollar coin, vending operators have been forced to install bill acceptors on many of their machines resulting in substantial additional equipment investments. Additionally, using dollar bills increases handling and service costs.

The vending industry is ready for the new dollar coin. Most coin mechs on vending machines are designed to accept the Anthony coin. Paper bill handling has been a costly stopgap measure and offers no solution to the problems caused by obsolete circulating U.S. coinage values.

HAVC favorably supports HR 1245 and kindly requests that our position be included in the Hearing record at your Subcommittee Hearing on Wednesday.

Thank you for your consideration of this critical industry issue.

Very truly yours,

Gaylord "Pakay" Ching
Senior Vice President - Vending

cc: NAVC Executive Committee

JOE HEWGLEY, INC.

DISTRIBUTOR

Tom's

TOM'S TOASTED PEANUTS • PEANUT BUTTER SANDWICHES • DELICIOUS CANDIES • POTATO CHIPS

1600 So. 9th St.
A/C 501 636-4543
ROGERS, ARK. 72756

October 30, 1991

The Honorable Esteban Torres
Chairman, Sub-Committee on Consumer Affairs and Coinage
1740 LHOB
Washington, DC 20515-0534

Dear Congressman,

This is to solicit your consideration and favorable support of HR 1245. You might reflect upon the following:

(1) Paper bills are costly to make, and now obsolete.

(2) Vending and other coin operated equipment already accept the Anthony Coin.

(3) Inflation continues ever onward as other countries have recognized (Canada for instance). The coin operated industry desperately needs an effective dollar coin.

(4) HR 1245 seems to be good legislation for our industry, as well as the convenience and efficiency of the public, as consumers and taxpayers.

Sincerely,

Joe Hewgley

Joe Hewgley
President, Arkansas Vending Council

Joe Hewgley Inc.
1600 South 9th St.
Rogers, AR 72756

klm/JWH

IAMA **Iowa Automatic Merchandising Association**

A State Council of National Automatic Merchandising Association

October 30, 1991

The Honorable Esteban Torres
Chairman, Sub-Committee on Consumer Affairs and Coinage
1740 LHOB
Washington, D.C. 20515-0534

Dear Congressman Torres,

My name is William C. White, with the Imperial Boudware Corporation, Weatherby Lake, Missouri. I am the President of the Iowa Automatic Merchandising Association, the state trade association for the coin-operated merchandise vending industry in the state of Iowa.

I am writting you in regards to HR 1245. After lengthy examination and careful deliberation, my organization wants you to know that we strongly support the enactment of HR 1245. Some of the reasons we support this legislation are as follows:

a. Inflation has created a dire need for a higher denomination coin. Without a widely circulating $1 coin, vending operators have been forced to install bill acceptors on many of their machines resulting in substantial additional equipment investments. In addition, using $1 bills increases handling and service costs.

b. Vending machines are already ready for the new $1 coin. Most coin mechs are designed to accept the Anthony coin.

c. Paper bill handling has been a costly stopgap measure and offers no solution to the problems caused by obsolete circulating U.S. coinage values.

HR 1245 is good legislation for everyone; namely, the government, the business community and the public at-large.

Your stronge support of this bill will be appreciated.

Sincerely,

William C. White

William C. White
President, Iowa Automatic Merchandising Assoc.

Post-it™ brand fax transmittal memo 7671	# of pages ▸ 1
To Bill Brandstreader	From Bill White
Co. This will be mailed today	Co.
Dept.	Phone #
Fax #	Fax #

November 1, 1991

The Honorable Esteban Torres
Chairman, Subcommittee on Consumer Affairs and Coinage
1740 Longworth House Office Building
Washington, DC 20515-0534

Dear Mr. Torres:

I'm writing to you as President of the Indiana Vending Council. The IVC is the state trade association representing merchandise vending operators in Indiana.

The IVC wants to express its support for H.R. 1245, the "United States One Dollar Coin Act of 1991." Inflation has created a dire need for a higher denomination coin. Without a widely circulating $1 coin, vending operators have been forced to install bill acceptors on many of their machines resulting in substantial equipment investments. In addition using $1 bills increases handling and service costs.

Most vending machines are ready now for a new $1 coin. Most coin mechanisms are designed to accept the Susan B. Anthony coin.

Paper bill handling has been only a stopgap measure and offers no solution to our current problems caused by an obsolete U.S. coinage system.

The IVC strongly supports legislation calling for a new $1 coin and the phase-out of the $1 bill to gain circulation of the coin.

Thank you for considering these views. Please make these comments part of the hearing record.

Sincerely,

Steve Ross
IVC President

KAMA

KANSAS AUTOMATIC MERCHANDISING ASSOCIATION, INC.
5332 NW 25th Street
Topeka, KS 66618
(913) 232-1050 or (913)234-3606

"The voice of the Kansas vending machine industry."

October 30, 1991

The Honorable Esteban Torres
Chairman, Subcommittee on Consumer Affairs and Coinage
1740 Longworth House Office Building
Washington, DC 20515-0534

Dear Mr. Torres:

I'm writing to you as President of the Kansas Automatic Merchandising Association. The KAMA is the state trade association representing merchandise vending operators in Kansas.

The KAMA wants to express its support for H.R. 1245, the "United States One Dollar Coin Act of 1991." Inflation has created a dire need for a higher denomination coin. Without a widely circulating $1 coin, vending operators have been forced to install bill acceptors on many of their machines resulting in substantial equipment investments. In addition using $1 bill increases handling and service costs.

Most vending machines are ready now for a new $1 coin. Most coin mechanisms are designed to accept the Susan B. Anthony coin. I am currently using the dollar coin extensively throughout my business and my customers have all received it very well. They would rather use the dollar coin than a dollar bill, because the machines have a much better acceptance rate of dollar coins than of dollar bills.

Paper bill handling has been only a stopgap measure and offers no solution to our current problems caused by an obsolete U.S. coinage system.

The KAMA strongly supports legislation calling for new $1 coin and the phase-out of the $1 bill to gain circulation of the coin.

A State Council of the National Automatic Merchandising Association

OCT 30 '91 15:12 NAMA

P.4/6.

Page 2

Thank you for considering these views. Please make these comments part of the hearing record.

Sincerely yours,

Jack Stevens

Jack Stevens
KAMA President

PBM:abm

K&Z
arden State Vending Inc.
Willett Avenue
uth River, New Jersey 08882

November 4, 1991

United States House of Representatives

RE: House Bill 1245

Dear Representative Torres,

I am sorry that I am unable to attend the hearing in person today. I hope this letter can be read into the record, so that my opinions and feelings can be included in all the information you are considering.

I am the owner-operator of K & Z Garden State Vending in South River, NJ. I have been in business for over thirty years and service over 150 accounts with 475 machines.

Over the past five years all vending operators have made large investments in dollar bill acceptors for both new equipment and refurbished used equipment. In the rush to have a dollar coin replace the dollar bill, NAMA, our very own trade association, has not been able to give us even an estimate of what impact this change in monies will have on the vending industry. As usual when any changes take place in industry, it is the small to medium size companies that will find it most difficult to bear the brunt of the expenses involved in retooling for this change.

I would ask you to reconsider the period of time for the transition to the dollar coin. While I realize we must move ahead with the times, the current bill, as it stands, will create an extreme hardship for my company, and, therefore I am sure, for others also.

Thank you for your attention to my opinions and concerns.

Sincerely,

Carl H. Zahn
President

Kentucky Automatic Merchandising Council

Serving the Vending/Food Service Industry in the Commonwealth of Kentucky

P.O. Box 32354 Louisville, Kentucky 40232

October 29, 1991

The Honorable Esteban Torres
Chairman, Subcommittee on Consumer Affairs and Coinage
1740 Longworth House Office Building
Washington, DC 20515-0534

Dear Mr. Torres:

I'm writing to you as President of the Kentucky Automatic Merchandising Council. The KAMC is the state trade association representing merchandise vending operators in Kentucky.

The KAMC wants to express its support for H.R. 1245, the "United States One Dollar Coin Act of 1991." Inflation has created a dire need for a higher denomination coin. Without a widely circulating $1 coin, vending operators have been forced to install bill acceptors on many of their machines resulting in substantial equipment investments. In addition using $1 bills increases handling and service costs.

Most vending machines are ready now for a new $1 coin. Most coin mechanisms are designed to accept the Susan B. Anthony coin.

Paper bill handling has been only a stopgap measure and offers no solution to our current problems caused by an obsolete U. S. coinage system.

The KAMC strongly supports legislation calling for a new $1 coin and the phase-out of the $1 bill to gain circulation of the coin.

Thank you for considering these views. Please make these comments part of the hearing record.

Sincerely,

Larry Mescher
KAMC President

A State Council of National Automatic Merchandising Association

Iinnesota Automatic Merchandising Council

A State Council of National Automatic Merchandising Association
Snelling, Christensen & Briant, P.A.
Suite 400
5101 Vernon Avenue South
Minneapolis, MN 55436
(612) 927-8866

October 30, 1991

The Honorable Esteban Torres
Chairman, Sub-Committee on Consumer Affairs & Coinage
1740 LHOB
Washington, DC 20515-0534

Dear Congressman Torres:

As President of the Minnesota Automatic Merchandising Council, the state trade association for the coin-operated merchandise vending industry in the state of Minnesota, I want to let you know that my organization, after careful deliberation, has agreed to strongly support the enactment of HR 1245 for the following reasons:

a. Inflation has created a dire need for a higher denomination coin. Without a widely circulating $1 coin, vending operators have been forced to install bill acceptors on many of their machines resulting in substantial additional equipment investments. In addition, using $1 bills increases handling and service costs.

b. Vending machines are already ready for the new $1 coin. Most coin mechs are designed to accept the Anthony coin.

c. Paper bill handling has been a costly stopgap measure and offers no solution to the problems caused by obsolete circulating U.S. coinage values.

HR 1245 is nothing more than good legislation for everyone; namely, the government, the business community and the public at large.

Your strong support of this bill will be appreciated.

Sincerely,

Thomas N. Theisen

Thomas N. Theisen
President

TNT/ajb

cc: Thomas Briant, Counsel

October 30, 1991

The Honorable Esteban Torres
Chairman, Sub-Committee on Consumer Affairs and Coinage
1740 LHOB
Washington, D.C. 20515-0534

Dear Congressman Torres:

My name is Curtis Campbell of J.B. Vending Company, St. Louis, Missouri. I am President of the Missouri Automatic Merchandising Association, the state trade association for the coin operated merchandise vending industry in the state of Missouri.

My organization, after careful deliberation, has agreed to strongly support the enactment of HR 1245 for the following reasons:

a. Inflation has created a dire need for a higher denomination coin. Without a widely circulating $1 coin, vending operators have been forced to install bill acceptors on many of their machines resulting in substantial additional equipment investments In addition, using $1 bills increases handling and service costs.

b. Vending machines are already ready for the new $1 coin. Most coin mechanisms are designed to accept the Anthony coin.

c. Paper bill handling has been a costly stopgap measure and offers no solution to the problems caused by obsolete circulating U.S. coinage values.

HR 1245 is nothing more than good legislation for everyone; namely, the government, the business community and the public at-large.

Your strong support of this bill be appreciated.

Sincerely,

Curtis W. Campbell

Curtis W. Campbell
J.B. Vending Service
President, Missouri Automatic Merchandising Association

#31 International Plaza Ct. • Saint Louis, Missouri 63074 • 314/423-3993

N. A. V. Incorporated
Full Line Vending Service
P. O. BOX 908 - HIGHWAY 5 NORTH
JASPER, ALABAMA 35501
205/387-2862

October 31, 1991

The Honorable Esteban Torres
Chairman, Sub-Committee on Consumer Affairs and Coinage
1740 LHOB
Washington, D.C. 20515-0534

Dear Congressman Torres:

My name is Wayne D. Daniel, N.A.V., Inc, Jasper, Alabama. I am President of the Alabama Vending Association, the state trade association for the coin-operated merchandise vending industry in the state of Alabama.

My organization, after careful deliberation, has agreed to strongly support the enactment of HR 1245 for the following reasons:

a. Inflation has created a dire need for a higher denomination coin. Without a widely circulating $1 coin, vending operators have been forced to install bill acceptors on many of their machines resulting in substantial additional equipment investments. In addition, using $1 bills increases handling and service costs.

b. Vending machines are already ready for the new $1 coin. Most coin mechs are designed to accept the Anthony coin.

c. Paper bill handling has been a costly stopgap measure and offers no solution to the problems caused by obsolete circulating U.S. coinage values.

HR 1245 is nothing more than good legislation for everyone; namel the government, the business community and the public at-large.

Your strong support of this bill will be appreciated.

Sincerely,

N.A.V., Incorporated

Wayne D. Daniel

Wayne D. Daniel
President - Alabama Vending Associa·

WDD/jd
bcc: Wm. R. Brandstrader
NAMA
20 N. Wacker Drive
Chicago, IL 60606-3102

OCT 31 '91 16:49

VENDING ASSOCIATION INC.

October 30, 1991

The Honorable Esteban Torres, chairman
Subcommittee on Consumer Affairs and Coinage
1740 Longworth House Office Building
Washington, DC 20515-0534

Dear Congressman Torres:

The members of North Carolina Vending Association (NCVA) the trade organization representing the state's professional vending and food service operators, have gone on record in support of H.R. 1245, legislation to enact a $1 coin and discontinue circulation of the $1 bill.

Our membership feels strongly that the future of the vending/food service industry, as well as that of many coin-intensive businesses, depends on the conversion to a $1 coin.

For the vending and food service industry, a $1 coin would equate to speedier purchase transactions as inflation sends the cost of some vending items over a $1. Most vendors have equipment which can readily accept the $1 coin without additional cost or mechanical adjustments.

It's hard to argue with the more practical observation that a $1 coin will stay in circulation for an estimated 20 years, while the life span of a $1 bill is 18 months. The savings to the government could exceed $120 million annually.

On behalf of all NCVA members, I am strongly urging passage of H.R. 1245.

Sincerely,

J. Gordon Scott III

J. Gordon Scott III
President

W:\WP51\[illegible]\TORRES.ltr

c/o InfoMarketing Inc./P.O. Box 3150/Durham, NC 27715-3150/3200 Croasdaile Dr., Ste. 603-3/ Durham, NC 27705-2509/Phone (919)383-0044/FAX (919)383-0035

*** END OF DOCUMENT ***

Ohio **AUTOMATIC MERCHANDISING** Association

A STATE COUNCIL OF NATIONAL AUTOMATIC MERCHANDISING ASSOCIATION
Affiliated with Ohio Council of Retail Merchants

October 29, 1991

The Honorable Esteban Torres
Chairman, Subcommittee on
Consumer Affairs and Coinage
1740 Longworth House Office Building
Washington, DC 20515-0534

Dear Mr. Torres:

I'm writing to you as President of the Ohio Automatic Merchandising Association. The OAMA is the state trade association representing merchandise vending operators in Ohio.

The OAMA wants to express its support for H.R. 1245, the "United States One Dollar Coin Act of 1991". Inflation has created a dire need for a higher denomination coin. Without a widely circulating $1 coin, vending operators have been forced to install bill acceptors on many of their machines resulting in substantial equipment investments. In addition using $1 bills increases handling and service costs.

Most vending machines are ready now for a new $1 coin. Most coin mechanisms are designed to accept the Susan B. Anthony coin.

Paper bill handling has been only a stopgap measure and offers no solution to our current problems caused by an obsolete U.S. coinage system.

The OAMA strongly supports legislation calling for a new $1 coin and the phase-out of the $1 bill to gain circulation of the coin.

Thank you for considering these views. Please make these comments part of the hearing record.

Sincerely,

Richard Bartholic
OAMA President

RB/dn

50 West Broad Street — Suite 1616 Columbus, Ohio 43215 (614) 221-7833
FAX (614) 221-7020

PINE TREE VENDING ASSOCIATION

October 30, 1991

Honorable Esteban Torres
Chairman, Coin Subcommittee
1740 Longworth House Office Building
Washington, D.C. 20515

Dear Mr. Torres

I am writing on behalf of The Pine Tree Vending Association of Maine regarding your November 6, 1991 hearing on HR 1243 favoring the minting of a new Dollar coin. Our membership has and continues to endorse and support the need for a Dollar Coin in our industry as well as others We urge you and your colleages to support this important legistlation and its recommendation for passage to the full House of Representatives.

Our association supports a Dollar Coin because it's less expensive and easier to count than paper money, as well as being substantially more reliable than paper in an automatic merchandisor. Due to inflation, todays dollar is equal to the quarter of a few years ago. The consumer therefore has less ability to purchase from a automatic merchandisor using only coin currency

We also feel our nation would benefit from a Dollar Coin because recent studies estimate an annual savings of 318 million dollars would be realized by switching from a paper dollar to a coin Our 50 million American Veterans who so greatly deserve it, would be honored on this coin.

I strongly believe there are many compelling reasons why The United States of America needs a Dollar Coin and on behalf of The Pine Vending Association I urge you and the members of the committee to support HR 1243.

I would appreciate if you would enter this letter into the record of the hearing on HR 1245, set for Nov. 6th,1991.

Very Truly Yours,

William D. Dunn

William D. Dunn
President-PTVA

WDD:sos

ROWE SERVICE CO., INC.
18800 Susana Rd. • Rancho Dominguez, CA 90221

LOS ANGELES (213) 774-1
(818) 577-6
LONG BEACH (213) 630-6

ORANGE CO. (714) 521-3
VENTURA (805) 648-3

October 29, 1991

The Honorable Esteban Torres
Chairman, House Subcommittee
Consumer Affairs and Coinage
1740 Longworth House Office Building
Washington, D.C. 20515-0534

RE: HR 1245 - THE NEW DOLLAR COIN
CALIFORNIA VENDING INDUSTRY SUPPORTS THIS LEGISLATION

Dear Chairman Torres:

This letter is sent on behalf of the members of California Automatic Vendors Council ("CAVC") to register our support of HR 1245. As President of CAVC, a non-profit trade association for the California vending industry, I see the need for a new dollar coin on a practical, everyday basis. However, the new dollar coin will only circulate if the dollar bill is phased-out.

Inflation has created a strong need for a higher denomination coin. Without a widely circulating dollar coin, vending operators have been forced to install bill acceptors on many of their machines resulting in substantial additional equipment investments. Additionally, using dollar bills increases handling and service cost.

The vending industry is ready for the new dollar coin. Most coin mechs on vending machines are designed to accept the Anthony coin. Paper bill handling has been a costly stopgap measure and offers no solution to the problems caused by obsolete circulating U.S. coinage values.

As we are unable to travel to Washington D.C., we are hopeful that CAVC's support of the new dollar coin will be made part of the Hearing record at your Subcommittee Hearing on HR 1245 next Wednesday.

Thank you for your consideration of this critical industry issue.

Very truly yours,

Ben Ross
President

cc: CAVC Executive Committee

Reuel, Inc.

"We Vend to Please"

W288 N16800 CENTER STREET
JACKSON, WISCONSIN 53037

COMPLETE VENDING SERVICE
PHONE 414/677-4652
414/677-6738

Oct. 31, 1991

The Honorable Esteban Torres
Chairman, Sub-Committee on Consumer Affairs and Coinage
1740 LHOB
Washington, D.C., 20515-0534

Dear Congressman Torres:

My name is Reuel Kohlwey, Reuel Vending, Jackson, WI. I am president of the Wisconsin Automatic Merchandising Association, the state trade association for the coin-operated merchandise vending industry in the state of Wisconsin.

Our state association is very supportive to enactment of HR 1245.

With the increae in prices, such as candy bars for 5¢ twenty five years ago, to 55¢ today, or coffee of 5¢ twenty five years ago to 35¢ today, the United States needs a $1.00 coin to replace the dollar bill. How much will we be charging for these and all other vended products next year? Cigarettes will probably vend for $4.00 a pack in 1992. We can accept a $5.00 bill but how do we give change?

Vending machines already accept the Susan B Anthony $1.00 coin. Without a widely circulated $1.00 coin, vendors have been forced to install bill acceptors on many of their machines. This results in large additional costs. The handling of paper $1.00 bills has been a costly stop-gap measure and does not solve the problems caused by obsolete circulation U.S. coinage values.

Now for Reuel, Inc., we have used and promoted the Anthony coin for over ten years. About 95% of our machines accept the Anthony coin. In 1990 we bought $60,000.00 Anthony coins from our local bank and put them in circulation. Our customers prefer to receive 5 dollar coins for a $5.00 bill instead of 20 quarters.

HR 1245 is nothing more than good legislation for everyone; namely, the government, the business community and the public at-large. Your strong support of this bill will be appreciated.

Sincerely,

Reuel A. Kohlwey

Reuel Kohlwey

REUEL, INC.

RK/lk

OCT 30 '91 15:10 NAMA

SERVICE AMERICA CORPORATION

421 Friendship Road
Harrisburg, PA 17111
(717) 564-4045

October 30, 1991

Honorable Esteban Torres
Chairman of the Coin Sub-Committee
604 O'Neill House Office Building
Washington, D C 20515

Dear Chairman Torres:

I am the current president of the Pennsylvania Automatic Merchandising Council (PAMC). The association represents eighty-eight (88) vending operators in Pennsylvania. We support H.R. 1245 - The Dollar Coin Act. Some of the main reasons being:

- It is more convenient for consumers to use coins
- Machines accept coins 99% of the time vs 85% with paper currency
- It is faster and less expensive to count coins
- The government would save an estimated $318 million annually

We ask that you support this bill. We also request that this letter be entered into the record of hearings set for November 6, 1991.

We thank you for you time.

Sincerely,

Alan J. Davies

Alan J. Davies
District General Manager

AJD/sm

THE FOOD SERVICE MANAGEMENT PEOPLE

STRUVE DISTRIBUTING CO., INC.

SERVING THE INTERMOUNTAIN COIN MACHINE INDUSTRY • 276 West 1st South Salt Lake City, Utah 84101 • (801) [illegible]

November 1, 1991

The Honorable Esteban Torres
Chairman, House Subcommittee,
Consumer Affairs and Coinage
1740 Longworth House Office Building
Washington, D.C. 20515-0534

RE: HR 1246 - THE NEW DOLLAR COIN
INTERMOUNTAIN VENDING INDUSTRY SUPPORTS THIS LEGISLATION

Dear Chairman Torres:

On behalf of the members of Intermountain States Council ("ISC"), we support HR 1245, the new dollar coin legislation. As President of ISC, a non-profit trade association for the vending industry in the states of Idaho, Montana, Utah and Wyoming, I can tell you that our vending industry is in need of a new dollar coin.

In addition to saving the Federal Government at least $318 million a year for the next 30 years (the dollar bill lasts only 17 months; the dollar coin will last up to 30 years), the dollar coin will also facilitate the purchase of items through vending machines.

The vending industry is ready for the new dollar coin and phase-out of the dollar bill. ISC favorably supports HR 1245 and kindly requests that our position be included in the Hearing record at your Subcommittee Hearing on Wednesday.

Thank you for your serious consideration of this critical industry issue.

Very truly yours,

Kent Larsen

Kent Larsen

cc: ISC Executive Committee

VALLEY VEND FOOD SERVICES, INC.
P.O. BOX 41 • 1903 PARRISH DR., S.E. • ROME, GEORGIA 30161 • 404/291-6305

The Honorable Esteban Torres
Chairman, Sub-Committee on Consumer Affairs and Coinage
1740 LHOB
Washington, D.C. 20515-0534

Dear Congressman Torres:

My name is Jerry Dunwoody, Valley Vend Food Services, Inc, Rome, Ga. I am President of the Ga.Auto Merchanding Council, the state trade association for the coin-operated merchandise vending industry in the state of Ga.

My organization, after careful deliberation, has agreed to strongly support the enactment of HR 1245 for the following reasons:

a. Inflation has created a dire need for a higher denomination coin. Without a sidely circulation $1 coin, vending operators have been forced to install bill acceptors on many of their machines resultion in substantial additional equipment investments. In addition, using $1 bills increases handling and service costs.

b. Vending machines are already ready for the new $1 coin. Most coin mechs are designed to accept the Anthony coin.

c. Paper bill handling has been a costly stopgap measure and offers no solution to the problems caused by obsolete circulating U.S. coinage values.

HR 1245 is nothing more than good legislation for everyone; namely the government, the bussiness community and the public at-large.

Your strong support of this bill will be appreciated.

Sincerely,

Jerry Dunwoody
Valley Vend Food Services, Inc.
President

Variety FoodServices

Since 1926

October 30, 1991

The Honorable Esteban Torres
Chairman, Subcommittee on Consumer
Affairs and Coinage
1740 Longworth House Office Building
Washington, DC 20515-0534

Dear Sir:

I am writing in support of H.R. 1245. The vending industry, as far as I know, is the only industry asked to operate with tools (coinage) designed for the 1930's.

The elimination of the one dollar bill is an absolute must in order to make the much needed one dollar coin fly. Paper bill handling has been a costly stopgap measure and offers no solution to the problems caused by obsolete circulating U.S. coinage values.

As president of the Michigan Distributors and Vendors Association, I can assure you we overwhelmingly support H.R. 1245, which would phase out the one dollar bill. I ask that my views, and those of our association be made part of the hearing record. Thank you.

Sincerely,

D E Nowak

Donald E. Nowak
Vice President, Variety FoodServices
President, M.D.V.A.

Variety FoodServices, Inc. 25235 Hoover Road Warren, Michigan 48089-1192 313/756-8100

VEND-A-SNACK
OF
GREENWOOD, INC.

October 31, 1991

The Honorable Esteban Torres
Chairman, Sub-Committee on Consumer Affairs
and Coinage
1740 LHOB
Washington, D.C. 20515-0534

Dear Congressman Torres:

My name is Willard Hudson, Vice President of Vend-A-Snack of Greenwood, Inc. in Greenwood, Mississippi. I am President of the Mississippi Automatic Merchandising Association, the state trade association for the coin-operated merchandise vending industry in the state of Mississippi.

My organization, after careful deliberation, has agreed to strongly support the enactment of HR 1245 for the following reasons:

A. Inflation has created a dire need for a higher denomination coin. Without a widely circulating $ coin, vending operators have been forced to install bill acceptors on many of their machines resulting in substantial additional equipment investments. In addition, using $1 bills increases handling and service costs.

B. Vending machines are already ready for the new $1 coin. Most coin mechs are designed to accept the Anthony coin.

C. Paper bill handling has been a costly stopgap measure and offers no solution to the problems caused by obsolete circulating U.S. coinage values.

HR 1245 is nothing more than good legislation for everyone: namely, the government, the business community and the public at-large.

Your strong support of this bill will be appreciated.

Sincerely,

Willard Hudson
Willard Hudson
Vend-A-Snack of Greenwood, Inc.
Vice President/General Manager

Committed to Quality and Service

714 George Street Greenwood, MS 38930 (601)453-4339

Virginia Automatic Merchandising Assn., Inc.

[illegible] / P.O. Box [illegible] / [illegible], NC [illegible] / [illegible] / Telephone ([illegible]) [illegible] / FAX ([illegible]) [illegible]

October 30, 199[illegible]

The Honorable Esteban Torres, chairman
Subcommittee on Consumer Affairs and Coinage
1740 Longworth House Office Building
Washington, DC 20515-0524

Dear Congressman Torres:

The members of Virginia Automatic Merchandising Assn. (VAMA), the trade organization representing professional vending and food service operators in The Commonwealth, have gone on record in support of H.R. 1246, legislation to enact a $1 coin and discontinue circulation of the $1 bill.

Our membership feels strongly that the future of the vending/food service industry, as well as that of many coin-intensive businesses, depends on the conversion to a $1 coin.

For the vending and food service industry, a $1 coin would equate to speedier purchase transactions as inflation sends the cost of some vending items over a $1. Most vendors have equipment which can readily accept the $1 coin without additional cost or mechanical adjustments.

It's hard to argue with the more practical observation that a $1 coin will stay in circulation for an estimated 20 years, while the life span of a $1 bill is 18 months. The savings to the government could exceed $120 million annually.

On behalf of all VAMA members, I am strongly urging passage of H.R. 1246.

Sincerely,

Harvey Kiser

Harvey Kiser
President

WICKHAM VENDING INC.
1401 ROUTE 23 SOUTH
BUTLER, NEW JERSEY 07405
201-838-5228

1 November 1991

Congressman Esteban Torres
Chairman of House Committee on Coinage
604 O'Neill House Office Building
Washington, DC 20515

Dear Congressman Torres:

We are a small vending company that has operated for twenty years in Northern New Jersey. In that time we have seen many changes in the vending industry; but none has been of greater significance than the devaluation of the coins used in the vending machines.

We presently operate approximately 150 machines, and because of the price of the items dispensed, about two-thirds of the machines accept the dollar bill. These bills are a problem because of the poor condition of many of them. We must have a dollar coin to bring U. S. currency up to the 20th Century.

We believe the dollar bill must eventually be discontinued if we are to get the public to adapt to the dollar coin.

Yours truly,

WICKHAM VENDING INC.

Joseph R. Wickham, Pres.

JRW:t

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102D CONGRESS
1ST SESSION

H. R. 1245

To provide for the minting and circulation of one dollar coins, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

MARCH 5, 1991

Mr. KOLBE (for himself, Mr. UDALL, Mr. MONTGOMERY, Mr. HAYES of Louisiana, Mr. SIKORSKI, Mr. YATRON, Mr. MFUME, Mr. STUMP, Mr. RAHALL, and Mr. BRUCE) introduced the following bill; which was referred to the Committee on Banking, Finance and Urban Affairs

JUNE 25, 1991

Additional sponsors: Mr. MINETA, Mr. DREIER of California, Mr. SLATTERY, Mr. TRAFICANT, Mr. HASTERT, Mr. KYL, Mr. PETRI, Mr. WILSON, Mr. OBERSTAR, Mr. SHAYS, Mr. GILCHREST, Mr. GILLMOR, Mr. YOUNG of Alaska, Mr. IRELAND, Mr. FAWELL, Mr. HANCOCK, Mr. ZELIFF, Mr. QUILLEN, Mr. ZIMMER, Mr. DERRICK, Mr. MILLER of Washington, Mr. SABO, Mr. SCHEUER, Mr. CALLAHAN, Mr. PARKER, Mr. STALLINGS, Mr. BONIOR, Mr. HYDE, Mr. LAFALCE, Mr. NATCHER, Mr. COSTELLO, Mr. BOUCHER, Mr. CARDIN, Mr. DWYER of New Jersey, Mr. VALENTINE, Mr. EMERSON, Mr. OXLEY, Mr. BALLENGER, Mr. SOLOMON, Mr. GALLO, Mr. PORTER, Mr. POSHARD, Mr. SUNDQUIST, Mr. JAMES, Mr. MCHUGH, Mr. ENGEL, Mr. JACOBS, Mr. KOSTMAYER, Mr. JEFFERSON, Mr. MCMILLAN of North Carolina, Mr. JOHNSON of South Dakota, Mr. CRANE, Mr. MARKEY, Mr. OWENS of Utah, Mr. FALEOMAVAEGA, Mr. BUSTAMANTE, Mrs. LOWEY of New York, Mr. DORNAN of California, Mr. RAMSTAD, Mr. BOEHLERT, Mr. SPENCE, Mrs. COLLINS of Michigan, Mr. BILIRAKIS, Mr. ESPY, Mr. TRAXLER, Mr. MOORHEAD, Mr. LANTOS, Mr. CLAY, Mrs. SCHROEDER, Mr. WISE, Mr. MORAN, Mr. BLILEY, Mr. HANSEN, Mr. EVANS, Mr. COX of California, Mr. FEIGHAN, Mr. MURTHA, Mr. PURSELL, Mr. JONES of North Carolina, Mr. GEJDENSON, Mr. HEFNER, Mr. CARR, Mr. ROSE, Mr. PENNY, Mr. HOBSON, Mr. CLEMENT, Mr. BEREUTER, Mr. TAUZIN, Mr. LIPINSKI, Mr. LANCASTER, Mr. TALLON, Mr. PAXON, Mr. RHODES, Mr. FISH, Mr. BORSKI, Mr. DE LUGO, Mr. KILDEE, Mr. WEBER, Mr. GILMAN, Mr. HUNTER, Mr. MCCRERY, Mr. DURBIN, Mr. MCMILLEN of Maryland, Mr. WELDON, Mr. BUNNING, Mr. BREWSTER, Mr. LEWIS of Florida, Mr. TAYLOR of Mississippi, Mr. RITTER, Mr. HOUGHTON, Mr. NEAL of Massachusetts, Mr. BAKER, Mr. UPTON, Mr. HERGER, Mr. SAXTON, Mr. MCGRATH, Mr.

SPRATT, Mr. WEISS, Mr. RAVENEL, Mr. SMITH of Iowa, Mrs. VUCANOVICH, Mr. MILLER of Ohio, Mr. PICKETT, Mr. WASHINGTON, Mr. STAGGERS, Mr. ROGERS, Mr. SISISKY, and Mr. PAYNE of Virginia

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A BILL

To provide for the minting and circulation of one dollar coins, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the "United States One Dollar Coin Act of 1991".

SEC. 2. ONE DOLLAR COINS.

(a) COLOR AND CONTENT.—Section 5112(b) of title 31, United States Code, is amended by deleting the second word in the first sentence and by inserting after the fourth sentence, the following: "The dollar coins authorized under subsection (a)(1) shall be gold in color, shall have an unreeded edge, shall have tactile features on the surface that aid the visually handicapped to differentiate the $1 coin from other circulating coins, and be minted and fabricated in the United States. The coin should be clad and have similar metallic, anticounterfeiting properties as existing United States coinage.

(b) AMERICAN VETERAN DOLLAR COIN.—Section 5112(d)(1) of title 31, United States Code, is amended by striking out the sixth sentence and inserting in lieu thereof the following: "The obverse side of the dollar shall have a design recognizing America's Veterans.".

(c) EFFECTIVE DATE.—Not later than eighteen months after the date of enactment of this Act, the Secretary of the Treasury shall place into circulation 1 dollar coins authorized by section 5112(a)(1) of title 31, United States Code, in accordance with the amendments made by subsections (a) and (b).

SEC. 3. CEASING ISSUANCE OF ONE DOLLAR NOTES.

(a) Six months after the date that the first coins referred to in section 2(c) are placed in circulation, the Federal Reserve Bank shall be prohibited from ordering new $1 Federal Reserve Notes and placing the same into circulation. Any $1 notes that come into the possession or control of any Federal Reserve Bank thereafter shall be retired.

(b) Thereafter, the Secretary shall produce only such Federal Reserve notes of the one dollar denomination as are required from time to time to meet the needs of collectors of this series which shall be produced in sheets and thereafter sold by the Secretary, in whole, or in part, as a price exceeding their face value that, at a minimum, reimburses the Secretary for the cost of production.

SEC. 4. OFFSETTING REVERSE SEIGNIORAGE.

Seigniorage from production of dollar coins referred to in section 2(a) shall be used to offset the reverse seigniorage resulting from the destruction of Susan B. Anthony dollar coins in Government storage. Additional seigniorage from production of dollar coins referred to in section 2(a) shall be used to retire the national debt.

SEC. 5. PRODUCTION OF $2 FEDERAL RESERVE NOTES.

The Bureau of Engraving and Printing shall produce sufficient $2 Federal Reserve Notes to meet anticipated demand.

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CONGRESSIONAL BUDGET OFFICE
U.S. Congress
Washington, DC 20515

Robert D. Reischauer
Director

November 5, 1991

Honorable Esteban Edward Torres
Chairman
Subcommittee on Consumer
Affairs and Coinage
Committee on Banking, Finance
and Urban Affairs
U.S. House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

As you requested, the Congressional Budget Office has reviewed H.R. 1245, the United States One Dollar Coin Act of 1991, as introduced on March 5, 1991.

In the absence of appropriation action, enactment of H.R. 1245 would not affect direct spending or receipts. Therefore, pay-as-you-go procedures would not apply to the bill.

If you wish further details on this estimate, we will be pleased to provide them.

Sincerely,

Robert D. Reischauer

cc: Honorable Alfred A. (Al) McCandless
Ranking Minority Member

Honorable Henry B. Gonzalez
Chairman
Committee on Banking, Finance
and Urban Affairs

Honorable Chalmers P. Wylie
Ranking Minority Member
Committee on Banking, Finance
and Urban Affairs

CONGRESSIONAL BUDGET OFFICE

COST ESTIMATE

November 5, 1991

1. BILL NUMBER: H.R. 1245

2. BILL TITLE: The United States One Dollar Coin Act of 1991

3. BILL STATUS: As introduced on March 5, 1991.

4. BILL PURPOSE:

H.R. 1245 would authorize the Mint to issue a one dollar clad coin that is gold in color, has an unreeded edge, and has an obverse side recognizing America's veterans. Under current law, the Mint is authorized to produce a $1 coin, but it has not done so since it issued the Susan B. Anthony coin in 1979.

Further, the bill would prohibit the Federal Reserve System from ordering and placing into circulation $1 notes six months after the Mint issues the $1 coin. At the same time, the Federal Reserve would begin retiring any $1 notes that it collects.

5. ESTIMATED COST TO THE FEDERAL GOVERNMENT:

(by fiscal year, in millions of dollars)

	1992	1993	1994	1995	1996
SPENDING EFFECTS--AUTHORIZATIONS					
<u>Mint Costs</u>					
Estimated Authorization Level	2	8	5	5	5
Estimated Outlays	2	8	5	5	5
Recovery of Mint Costs-- <u>Offsetting Receipts</u>					
Estimated Authorization Level	-2	-8	-5	-5	-5
Estimated Outlays	-2	-8	-5	-5	-5
Interest Savings <u>from Seigniorage</u>					
Estimated Authorization Level	---	---	---	-57	-187
Estimated Outlays	---	---	---	-57	-187

(Continued)

Continued

	(by fiscal year, in millions of dollars)				
	1992	1993	1994	1995	1996
REVENUE EFFECTS					
Change in Federal Reserve System Payment of Earnings to Treasury[a]	---	---	---	12	37
Net Budgetary Impact -- Increase or Decrease(-) in the Deficit	---	---	---	-69	-224

a. Would occur only if funds are appropriated for Mint costs. Positive revenue numbers indicate a decrease in the deficit.

The budgetary impact of this bill falls within functions 800 and 900. Savings would continue to accrue, in increasing amounts, after 1996.

Basis of Estimate:

Under current law, the Mint is authorized to produce a $1 coin, but it does not because it already has about 400 million Susan B. Anthony $1 coins in storage and does not anticipate significant increased demand for additional coins. H.R. 1245 would authorize the Mint to produce $1 coins with new specifications and would create a demand for the coins by prohibiting the Federal Reserve from placing $1 notes into circulation six months after the first new coins are issued. Without the $1 note, the public most likely would have to conduct transactions with a $1 dollar coin or a $2 note.

Besides affecting the Mint's costs for producing the new coin, H.R. 1245 would have two primary effects on the budget. First, producing new coins increases seigniorage, which is the difference between the face value of the coin ($1) and the cost of producing the coin (six cents). Seigniorage does not affect the budget directly, but rather is considered a means of financing. When seigniorage increases, the amount the Treasury has to borrow decreases, and the government avoids paying the associated interest costs. The other effect stems from the prohibition on issuance of $1 Federal Reserve notes. The Federal Reserve's holding of Treasury securities decreases if the amount of currency in circulation decreases, and the Federal Reserve would earn less interest. More than offsetting this impact would be reduced expenses incurred by the Federal Reserve for the printing and handling of the notes.

None of these budgetary effects would occur, however, upon enactment of H.R. 1245. Although the Mint would be authorized to produce new coins, it does not currently have the capacity to produce the number of coins that would be needed to replace the $1 note, and it would not have the authority to spend funds to acquire such capacity. Therefore, the Mint would require subsequent appropriations action before it could produce the coins and before the other budget impacts could occur. The following sections detail the individual budget effects and underlying assumptions.

Mint Costs. H.R. 1245 would direct the Mint to place the first new $1 coin into circulation 18 months after the enactment date. The Mint, however, has stated in testimony before the Congress that it would need at least 30 months to prepare before producing the first coin. CBO adopts this assumption, and therefore we estimate that the Mint would begin production around October 1994 and would issue the first coin about six months later.

We estimate that, before beginning production, the Mint would need an appropriation of about $2 million in 1992, $8 million in 1993, and $5 million in 1994 to acquire the necessary equipment. The Mint would require additional appropriations totaling about $10 million in 1995 and 1996 to conduct the necessary public information campaign and manufacture the coins. However, by budgetary convention, the amount of the Mint's costs, as reflected in its appropriation, is subtracted each year from the seigniorage on coins and is deposited into an on-budget offsetting receipt account. Thus, any expenses involved with coin production are directly offset in the receipt account, resulting in no net effect on outlays.

Interest Savings from Seigniorage. The seigniorage on each new $1 coin would be 94 cents, and the total amount of seigniorage created each year would depend on the number of coins minted. The Mint states that it would be able to produce 2 billion $1 coins annually beginning in fiscal year 1995. How many coins it ultimately would produce would depend on the public's demand for the coins once the $1 note is no longer readily available.

To conduct some transactions for which $1 notes would have been used, the public might find it convenient to use $2 notes. CBO assumes that instead of using the estimated 5.5 billion $1 notes the Federal Reserve would have placed in circulation in 1996, the public would demand about $3.5 billion worth of $2 notes. The remaining $2 billion could be satisfied by the $1 coin. It is likely, however, that the public would need even more coins to conduct transactions. Experience of other countries that have recently switched from a low denomination note to a low denomination coin indicates that initially the public demands twice as many coins as notes, apparently to satisfy systems that rely on low value transactions such as transit or vending systems. This implies that for 1996, the public would need 4 billion $1 coins. Thus, we assume that the Mint will produce at capacity, generating 4 billion $1 coins by the end of 1996.

The seigniorage on the 2 billion $1 coins produced in 1995 would be $1.9 billion. However we expect that the Mint would then choose to melt down about 300 million Susan B. Anthony $1 coins that it would have in storage (still leaving about 60 million). The Mint would have to count reverse seigniorage (97 cents per coin) amounting to $0.3 billion. This would produce a net seigniorage effect of $1.6 billion in 1995, which would decrease the government's borrowing needs by that amount and thus reduce interest costs by $57 million. Interest savings in 1996 from two years worth of seigniorage would amount to $187 billion. The estimate of interest savings assumes that the Mint produces the coins evenly throughout the year.

Federal Reserve Payment of Earnings to the Treasury. In the process of issuing currency, the Federal Reserve acquires interest-earning Treasury securities in an amount generally equal to the value of the new currency. The Federal Reserve's budget surplus, generated primarily by the interest earnings on its portfolio of Treasury securities, is remitted each year to the Treasury, with the payment recorded in the budget as governmental receipts, or revenue. To the extent that the total value of Federal Reserve notes changes as a result of H.R. 1245, the Federal Reserve's interest earnings on its portfolio of Treasury securities would change, affecting Treasury revenues. The requirement in H.R. 1245 that the Federal Reserve stop issuing $1 notes, which we assume would occur at the beginning of fiscal year 1996, would decrease the Federal Reserve's interest earnings by an estimated $12 million in 1996. This revenue affect is contingent on the Mint receiving the required appropriations to produce the new coins.

On the one hand, the Federal Reserve would lose interest earnings because of the decrease in the number of $1 notes. Without H.R. 1245, the average number of $1 notes in circulation in 1996 would be about 7.3 billion. With H.R. 1245, however, the Federal Reserve would collect about 3.6 billion notes in 1996 and would not issue any, resulting in an average circulation over the year of about 5.3 billion. This circulation decrease of 2 billion would result in decreased interest earnings of $120 million in 1996. The 3.6 billion notes the Federal Reserve would collect is less than the Federal Reserve would ordinarily collect. Experience in other countries, notably Canada and Australia, that withdrew their lowest denomination note indicates that the public takes about one-half of those notes out of active circulation for souvenirs when the central bank stops issuing new ones. For this estimate, CBO assumes that the Federal Reserve will be able to collect only two-thirds of the $1 notes in circulation.

On the other hand, the Federal Reserve's interest earnings would increase by $108 million in 1996 because it would issue $3.6 billion worth of $2 notes over the course of the year to satisfy the public demand for low denomination units of exchange that would remain unmet by the $1 coins produced by that time. The net effect of these two changes in interest earnings is a $12 million loss in profit for the Federal Reserve in 1996.

The reduced interest earnings of the Federal Reserve would be more than offset by its reduced expenses for printing and handling currency. The Federal Reserve pays the Bureau of Engraving and Printing (BEP) for printing Federal Reserve notes. In 1995, the BEP workload is expected to be 11.7 billion notes. With enactment of H.R. 1245, the workload would decrease to about 10.8 billion notes, saving the Federal Reserve about $12 million in printing and handling costs and increasing the payment to the Treasury by the same amount. In 1996, the BEP workload would drop by about 3.7 billion notes, thus saving the Federal Reserve about $50 million, which, when offset by a the lost interest earnings of $12 million, would result in an increased payment to the Treasury of $37 million.

6. PAY-AS-YOU-GO CONSIDERATIONS:

The Budget Enforcement Act of 1990 sets up pay-as-you-go procedures for legislation affecting direct spending or receipts through 1995. CBO estimates that enactment of H.R. 1245, by itself, would not affect direct spending or receipts. Therefore, pay-as-you-go procedures would not apply to the bill.

7. **ESTIMATED COST TO STATE AND LOCAL GOVERNMENTS: None.**

8. **ESTIMATE COMPARISON:**

In a May 1990 report, the General Accounting Office stated that the government could realize about $318 million (in present value dollars) annually if it replaced the dollar note with a dollar coin.

9. **PREVIOUS CBO ESTIMATE: None.**

10. **ESTIMATE PREPARED BY:**

James Hearn (226-2860), Leslie Griffin (226-2880), and Mark Booth (226-2685).

11. **ESTIMATE APPROVED BY:**

James L. Blum
Assistant Director
for Budget Analysis

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DATE DUE			